

LABOR PROBLEMS

BY

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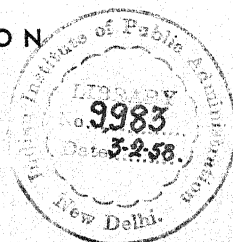
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THIRD EDITION



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DEDICATED TO
THE CAUSE OF INDUSTRIAL PEACE
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FOREWORD

¶ No group of economic problems so frequently disturbs the equanimity of advanced industrial nations as do problems of labor relations, which have their overt manifestation in industrial conflicts. The impact of industrial strife often is so severe as to threaten the foundations of the social system. At such times there is considerable alarm because of the alleged revolutionary implications of the conflict between capital and labor. A psychological condition amounting to hysteria frequently develops. In such a situation it is extremely difficult, if not impossible, to examine fairly and objectively the fundamental issues and the causative factors that produce them, much less to view rationally constructive agencies and methods of reform. That is what makes it so necessary to encourage careful study of problems of labor relations in our high schools, colleges, and universities, and to make available for students and laymen alike a convenient source of information concerning these problems. To provide such a source of information is one of the principal purposes of this book.

The availability of adequate data on labor problems is not in itself sufficient. Intelligent comprehension and accurate interpretation of the data are indispensable if the public attitudes and opinions that guarantee fair-minded approaches to these problems are to be assured. To cultivate intelligent understanding and interpretation of the facts, causes, and proposed solutions of these problems is a second purpose of this volume.

The authors hold a sincere conviction that a study of labor problems or any other set of phenomena that disturb the body politic has relatively little value unless eventually it is articulated in remedial social action. In critical economic and social situations such as this book examines, men and women should seek to know in order to do. Unless something is

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done about these critical situations social progress is automatically retarded. Knowledge for its own sake has no commanding virtue in the face of the unremedied ills of oppression, exploitation, and injustice, from whatever source these may issue. Consequently it is a clearly and frankly recognized function of our analysis to provide encouragement for concrete, constructive social action.

In the treatment of problems which are permeated with human interest and which often emerge amidst powerful human impulses and emotions, complete objectivity is very difficult. The authors have studiously avoided prejudice and dogmatism, but they make no pretense of complete exclusion of subjective judgment and evaluation. We have not hesitated to draw conclusions and express opinions when and where we have been convinced that the facts and conditions warranted them. There has been no reluctance to pass critical judgment on employers, wage earners, or the public where this seemed justified, nor has there been any unwillingness to point out the deficiencies of remedial movements and measures. Our only claim is that we have tried to be as fair as is humanly possible in the description and analysis of the problems and movements under consideration.

The problems with which this book deals are not new; indeed, most of them are as old as modern industry and some of them antedate the Industrial Revolution. Neither are the solutions here described actually new; all of them have been tried, with varying success, in advanced industrial countries, and many of them have contributed materially to the improvement of human relations in industry. During the last decade the United States has made extraordinary advances in the study of these problems and in the application of many of the proposed agencies and methods of improvement. So significant and extensive has been the nation's progress in these directions that it can be said, with little fear of contradiction, that we have reached the end of an epoch in industrial relations. So true is this that no book written several years ago could in any respect be adequate for the study of contemporary labor problems and their solutions. Because these are years of rapid economic and social readjustments, no book can keep pace with the changing day-by-day scene of human relations. Every effort has been made to incorporate in

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the present volume the latest available data on each of the problems and remedies discussed within its pages.

The authors have constantly kept in mind the needs of the student and the layman rather than the specialist, although it is hoped that even the specialist will find here some guide posts to the accurate analysis of specific problems. Both in organization and presentation the requirements of the student have received particular attention. To this end also there has been appended to each chapter a list of questions for class discussion and selected references which should aid in further exploration of each subject under discussion.

No book that covers such a wide variety of subjects as this one does can possibly treat each subject exhaustively. An exhaustive analysis is neither claimed or designed by the authors. Our purpose has been to survey the broad field of human relations in industry with a view to introducing the reader to the nature, importance, and intricacies of those relations. It is hoped that more intensive study of individual problems will be undertaken by both students and lay readers.

In writing a book of this nature no author can claim distinct originality or complete responsibility for the collection, analysis, and presentation of data. In the broadest sense of the term this book is a co-operative venture. The authors have been aided materially by the very large number of special students who have made significant contributions to the field of labor economics. These are too numerous to mention here. No book on labor problems could be written without the vast fund of information made available by such agencies as the United States Department of Labor, the departments of labor of the various states, the American Federation of Labor, the Congress of Industrial Organizations, the National Association of Manufacturers, the National Industrial Conference Board, the International Labor Organization, and the National Bureau of Economic Research. To these and many similar agencies the authors are deeply indebted for much of the valuable data introduced in the present study.

Many individuals have shared directly in the preparation of this book. Valuable criticisms and suggestions were submitted by many teachers of labor problems throughout the United States. We take pleasure in

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acknowledging our debt of gratitude to these and others who have contributed to our study. Miss Ethel M. Johnson, Acting Director of the Washington office of the International Labor Organization, has rendered invaluable assistance in providing the latest available information on international co-operation in the control of labor standards. The Geneva office of the I.L.O. also has been very helpful in this regard. Special thanks are due to Mr. Joshua Domashevitsky, our former student, who collected and verified statistical data and prepared the numerous charts used in the text. We are indebted most of all to Anna Davis Watkins and Bonnie Jennings Dodd who have had a large and important part in the preparation of the manuscript and in the reading of the proof.

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Los Angeles, California
May, 1940

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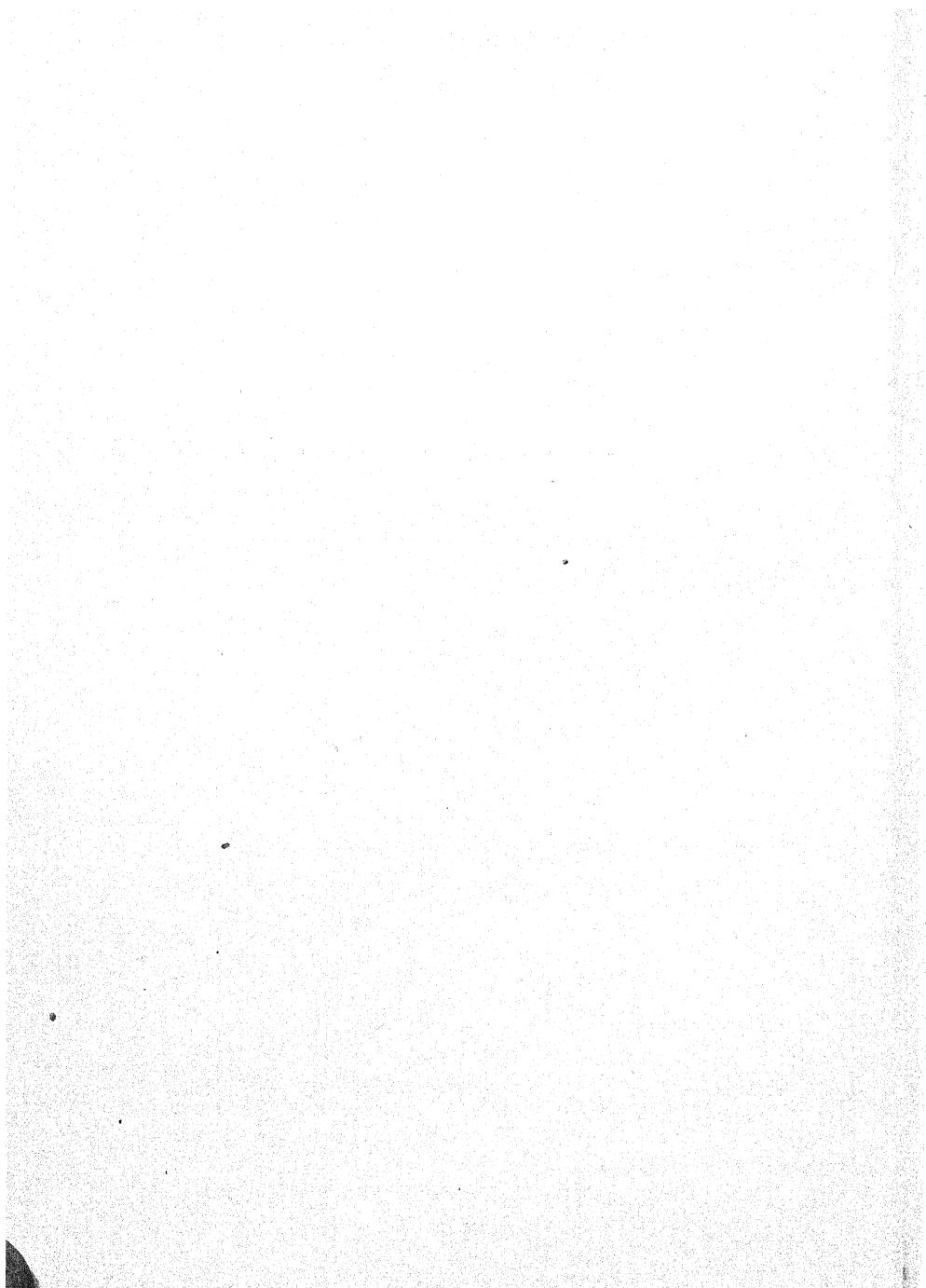
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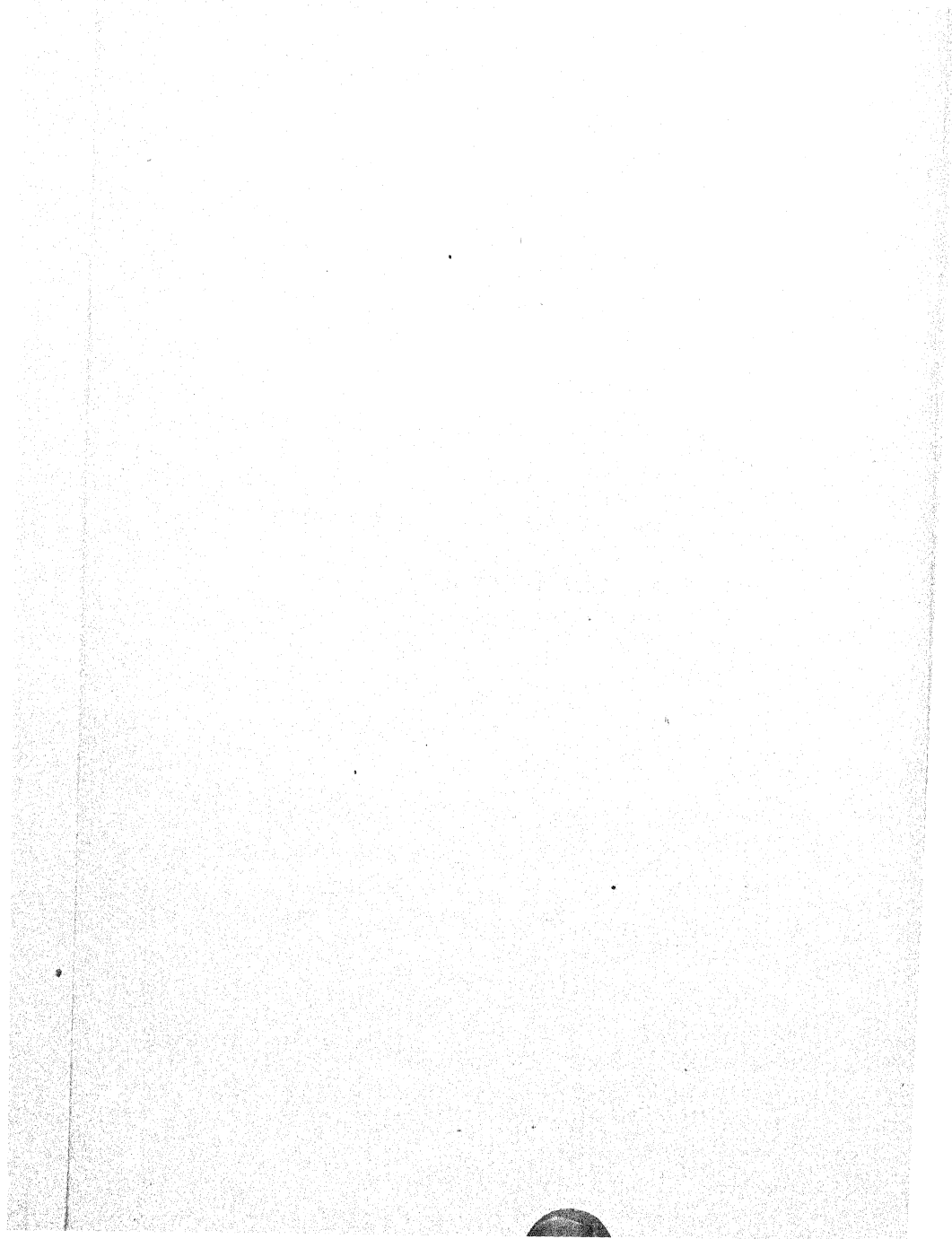
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PART I

THE NATURE AND DEVELOPMENT OF THE PROBLEMS



Chapter 1

THE NATURE AND SCOPE OF THE PROBLEMS

¶ **INDUSTRIAL UNREST.** Periodically the people of the United States, in common with those of all advanced industrial countries in which individuals are permitted freedom of thought and action, are made conscious of serious conflicts in the relations between employers and employees. Strikes and lockouts are constantly occurring, but the public becomes aware of these temporary stoppages of work only when they enter an abnormal phase and their intensity and severity are greatly increased.

The magnitude of the conflict in industrial relations is clearly illustrated in the years 1927 to 1938 inclusive, when there were approximately 20,000 strikes involving approximately 9,000,000 workers and causing an economic loss of about 170,000,000 man-days of employment. Industrial unrest of such proportions results in serious dislocation of the nation's economic life, causes great financial loss to employers and workers, brings immeasurable hardships to the families of workers, and frequently occasions considerable inconvenience to the general public. Such interruptions in employment relations manifest no tendency to decline, despite improved methods of adjusting labor disputes. On the contrary, there were more strikes in 1937 than in any other year in the history of the United States; more workers were involved than in any year except 1919; and more man-days of idleness resulted than in any year for which comparable data are available.¹

1. Florence Peterson, "Strikes in the United States 1880-1936," U. S. Bureau of Labor Statistics, *Bulletin* 651, p. 21; also Serial No. R. 1032, p. 2; and Don Q. Crowther, "Analysis of Strikes in 1937," U. S. Bureau of Labor Statistics, *Labor Information Bulletin*, vol. v, May, 1938, p. 11.

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Strikes and lockouts are symptomatic of maladjustments in employment relations, the causes of which may be relatively insignificant or extremely serious. The general term "labor problem" is frequently used to designate industrial unrest and its intricate network of causes. Whether this is an accurate use of the term is a matter of opinion, as we shall discover in the course of our analysis. The important thing to remember is that industrial unrest is indicative of unremedied economic ills, the removal of which is the primary condition of industrial peace. Behind strikes and lockouts are innumerable grievances and complaints. Economic insecurity, inadequate wages, excessive hours of employment, undesirable conditions of employment, child labor, the exploitation of women, severe competitive struggles among substandard workers, and the exercise of arbitrary powers are some of the factors that enter into recurrent waves of industrial discontent. Whether these factors are to be regarded as constituent elements in the labor problem is a somewhat controverted point which is decided largely by one's interpretation of the essential nature of that problem. An examination of the many different interpretations that exist will assist us in finally defining the problem for ourselves.

CONCEPTIONS OF THE LABOR PROBLEM. There is no unanimity of opinion concerning the real nature of the labor problem. Numerous interpretations obtain, but there is apparently no agreement with regard to either the essential elements or the most acceptable and effective solutions. Such a situation is probably inescapable in an industrial society as complex as ours, in which human interests and motives are so varied and diverse. In the last analysis, one's conception of the labor problem is likely to reflect the traditional point of view and bias of the group or class to which one happens to belong. This fact should be kept in mind throughout any study of the problems of industrial relations.

To conservatively minded wage earners the labor problem is found in the persistence of inadequate wages, excessive hours of labor, undesirable conditions of employment, and insecurity of employment. Once workers obtain acceptable standards in these particulars, the causes of protest disappear. More progressive and ambitious workers, definitely conscious of the futility of individual bargaining, insist that the crux

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of the labor problem lies in the denial of the right of organization and effective collective bargaining. Theoretical acknowledgment of the right of organization is frequently nullified by legal and practical restrictions upon concerted action and upon the methods of making such action effective. In the view of moderate trade unionists, who represent the predominant labor opinion in America, the continuance of these limitations constitutes the essence of the labor problem.

Radical wage earners are extremely critical of such temperate interpretations of the problem. They insist that the fundamental difficulty is in the persistence of the institution of private property and the "wage slavery" incident thereto. Consequently they find the solution to lie only in complete socialization of the agencies of production, distribution, and exchange, rather than in amelioration of standards of employment under capitalism.

Confusion of interpretation is not confined to wage earners; a similar divergence of opinion exists among employers. To the ultraconservative employer the labor problem is essentially one of destroying labor unionism or at least of precluding effective collective bargaining, which amounts to practically the same thing. Unionism is effective only when it can impose the union shop and apply successfully the technique of concerted action—the strike, boycott, picketing, union label, and other methods of group control. Only in this way can unions compel accession to their demands. Collective bargaining definitely limits the traditional right of the employer to run his business as he sees fit. Consequently many employers are inclined to regard unionism as the essence of the labor problem.

More liberally minded employers, who recognize the logic and necessity of collective bargaining in a complex economic society, are inclined to believe that the central problem of industrial relations is the establishment of a workable system of joint determination and administration of the labor agreement, thus assuring judicial adjustment of industrial disputes. Difference of opinion often exists concerning the most acceptable form of joint control.

An increasing number of employers are convinced that the major difficulty in industry is the unscientific management of employment

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relations, and that the most immediate solution will be found in the introduction of enlightened principles of personnel administration.

A minority of employers, who have somewhat of a bent for idealism, hold that friction between management and men develops from the fact that the wage-earning class is almost completely divorced from the ownership and control of industry. Hence, they see the way out through restoration of democratic ownership and control.

VARIED CONCEPTS HELD BY LABOR ECONOMISTS. Special students of the problems of industrial relations also manifest marked differences of opinion concerning the essential nature of the labor problem.² Many accept the concept that "American trade unionism is the American labor problem; and, in a narrow acceptance, trade-union policy and practice impinge at some point or other upon such specific social problems as immigration, child labor, employers' liability, and methods of industrial remuneration."³ As a corrective and ameliorative agency, trade unionism is intimately related to these problems; but all the problems of industrial relations are not embraced within unionism. Undesirable policies and inexcusable malpractices often make unionism a menace to society. It is true, moreover, that the existence of unionism does not in itself assure industrial peace or necessarily eliminate all maladjustments that exist in modern industry. Labor unions must always be identified with the solution of the labor problem, but they are not the essence of that problem.

Because extraordinary fluctuations frequently occur in commodity prices, many have assented to Professor John R. Commons' statement that fluctuation of the currency is the greatest of all labor problems and that the first great method of importance in bringing about industrial peace is stabilization of the dollar.⁴ There is an indisputable connection between price fluctuations and industrial discontent. Abrupt changes in the price level affect the cost of living, and when the trend is sharply

2. See list of references appended to this chapter.

3. J. H. Hollander and G. E. Barnett, *Studies in American Trade Unionism* (London, Hodder, 1906), p. 3.

4. John R. Commons, *Trade Unionism and Labor Problems* (Boston, Ginn & Co., 1921), pp. 4, 5.

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upward the workers are unable to maintain their customary standard of living. Demands for wage increases are pressed vigorously by the workers and as vigorously resisted by the employers, with the inevitable sequence of strikes, lockouts, and general disruption of industry and business. If the trend of the price level is downward, business depression invariably occurs; and unemployment, with its serious economic and social effects, is the lot of millions of wage earners. Modern industrialism constantly generates this distressing uncertainty. Under such circumstances sustained industrial peace is almost unthinkable.

Although price fluctuations must be accepted as an important factor in industrial unrest, the labor problem cannot be reduced to terms of currency stability or instability. Many would deny that currency instability is the greatest of labor problems. The basic desires and aspirations of the working class cannot be epitomized in the maintenance of the customary standard of living. In the first place, that standard itself is not rigidly fixed but is constantly changing. So long as there is a desire for a higher standard of living there will emerge demands for higher wages. Stabilization of the currency can hardly anticipate such demands or prevent the friction that usually issues from them. Food, shelter, and clothing are not the only essentials in the intelligent wage earner's standard of life. It is probably true that many workers have this narrow approach to life. For them, a stabilized dollar would provide the requisite income to assure the traditional standard of living.

This material gain, however, would not completely satisfy the majority of workers. With the spread of free education and the growth of industrial and political power among the working classes, their aims and dreams tend more and more to transcend the mere satisfaction of their physical needs. They are becoming more articulate in their desires for a greater measure of self-expression in work, participation in the ownership and control of the workshop, and a larger share in the products of industry. These are objectives that the introduction of a stabilized currency will not guarantee; but in the life of intelligent wage earners they are no less important than bread and butter.

In its industrial applications the science of psychology has provided

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a new interpretation of the labor problem, an interpretation which has had a remarkable influence upon recent discussions of the problem.⁵ According to this analysis the labor problem issues from the repressive influence of modern industry. It is urged that what was once creative work, yielding immeasurable joy to the craftsman, has degenerated under capitalism into a tedium of repetitive, monotonous operations, exacting discipline, minute specialization, and complete denial of opportunity for originality and self-expression. The personality of the worker is thus hopelessly lost in the mechanical minutiae of the factory, mill, and mine, as it is in the impersonal systematization of the office. Modern industry is alleged to be "dehumanized" and "depersonalized," with the result that the workers seek outlets in resentment compensations such as strikes, sabotage, wastefulness, and revolutionary activity. The worker is said to dream of a new industrial order in which self-expression will be assured—a utopia where a free, creative, and complete life will be possible for all.

Many psychological analyses of the labor problem place less emphasis upon the denial of creative experience and more upon the tendency of modern industry to stimulate the impulses of fear, anger, suspicion, and distrust. Industrial unrest, it is stated, is rooted deep in exaggerated fear caused by such factors as the recurrence of unemployment, arbitrary exercise of the right of dismissal, invasions of the field of skill by new machinery, substitution of semiskilled for skilled labor, imposition of unreasonable rules and regulations, the competitive struggle with substandard workers, and the lengthening shadow of a dependent old age.

This so-called "fear psychosis" of the wage earner is likely to be intensified further by his consciousness of utter helplessness in relation to the modern giant corporation. The structure of the corporate organization is often so complex and the distribution of authority so wide that an impersonal relation develops. It is difficult for the laborer to

5. See, for example, the following works: Thorstein Veblen, *The Instinct of Workmanship*; Ordway Tead, *Instincts in Industry*; Helen Marot, *Creative Impulse in Industry*; W. L. MacKenzie King, *Industry and Humanity*; Carlton H. Parker, *The Casual Laborer and Other Essays*; Whiting Williams, *Mainsprings of Men*; Arthur Pound, *The Iron Man in Industry*; Frank Watts, *An Introduction to the Psychological Problems of Industry*.

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bridge the gap between himself and those who have sufficient power to give him relief from undesirable conditions of employment. Frequently there are no established lines of communication. This consciousness of helplessness breeds a consciousness of hopelessness, and the worker either sinks into apathy or seeks a forceful way out.

Nor is the worker's sense of helplessness confined to relations within the workshop. Frequently it extends to civic, social, legal, and political institutions. He fears the dictatorial power of wealth, which, in its subtle and sinister ways, subverts the foundations of democratic institutions, defeats the ends of justice by corrupting public officials and legislators, and directly or indirectly controls the machinery of government. In his fight for economic justice as he conceives it, the wage earner must invariably face the opposition of a traditionally minded judiciary, the indifference of lobby-manipulated politicians, and a prejudiced press.

Fear psychosis invariably breeds a revolt psychosis. The workers' revolt may take the form of soldiering on the job, consciously practiced inefficiency, indulgence in wasteful practices, and concealed destruction of tools, machinery, and equipment. It may take the form of aggressive unionism with frequent resort to strikes and other methods of protest, or it may mature into revolutionary unionism with far-reaching demands for the abolition of the present social order. In this connection the following appropriate observation has been made: "Where the mind is in a state of unrest, the arm is divested of some of its power, and the hand of some of its skill. Time which otherwise might be freely employed in furtherance of production, with benefit in opportunity and reward to all the parties to industry, is consumed in effecting organization against ills that are feared, or in agitation concerning their existence." ⁶

The psychological analysis of industrial unrest teems with human interest and penetrates the basic motives that are the mainsprings of human behavior in industry. It requires no stretch of the imagination to visualize the potential revolt of an industrially repressed class or to

6. W. L. MacKenzie King, *Industry and Humanity*, p. 239. Reproduced by permission of the publishers, Houghton Mifflin and Co., Boston, Mass.

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picture the tragic realism of the insecurity that characterizes the position of the modern wage earner. Perhaps the final solution must come, if such a solution can ever come, through the eradication of fear and distrust and the establishment of a good will that will preclude exploitation of one class by another. But it is doubtful. It is easy to exaggerate the importance of fear in the revolt of wage earners. Pugnacity may be generated as much by ambition and a positive desire for justice as by fear. With regard to the wish for creative experience in work, there are many who believe that men and women generally are imitatively minded rather than creatively minded and are less concerned about artistic work than with adequate pay for inadequate work.

THE COMPLEX NATURE OF THE PROBLEM. Conceptions of the labor problem could be enumerated almost *ad infinitum*. Is it possible, then, to define the labor problem? It should be obvious from what has already been said that it requires considerable temerity to speak of *the* labor problem in the sense of a single, individual problem embracing all the maladjustments in industrial relations. Resort to dogmatic certainty and positive finality is probably more dangerous and less warranted in the field of these phenomena than in almost any other field of investigation. Simple interpretations that reduce the problems of industrial relations to the terms of a single maladjustment are inaccurate and unsound. Any interpretation which presumes to be realistic must necessarily recognize that there are numerous problems that cannot be summed up in a solitary factor.

In attempting to formulate a working definition of the problems of industrial relations, one soon discovers that such problems are not the problems of the wage earner alone; they are also the problems of the employer and of the community. No one group or class—but all groups and all classes—are directly or indirectly involved in these problems. The community, moreover, is no longer confined to the geographic limits of a single nation. The status of industrial relations in other countries may have far-reaching effects upon the present and future economic life of the United States. One has only to recall the influence of the Russian Revolution of 1917 or the attempt at a general strike in Great Britain in 1926 to be convinced that maladjustments in in-

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dustrial relations now have international repercussions. The Bolshevik triumph echoed in the formation of the Communist Party and the Communist Labor Party in this country in 1919. In the United States the reactions to the British general strike were quite varied. On the one hand, revolutionary groups saw in the threatened paralysis of British industry the potentialities of the general strike as a weapon of coercion, if not of revolution. Syndicalists in France and the United States had advocated the use of this technique, consequently they welcomed its application, despite its apparent failure in this instance. Those who believe in orderly progress and disapprove of such revolutionary methods as the general strike were greatly heartened by the British public's negative reaction to the use of economic force. The repercussion of the British situation was thus felt in two directions, the one tending toward enthusiastic advocacy of the general strike and the other tending toward confidence in inevitable suppression of this method of obtaining economic demands. This would suggest that the labor problem is essentially a social problem that vitally affects the larger fabric of human institutions and relations—domestic, economic, moral, political, and legal. In turn, the problems of industrial relations are affected by these institutions.

In its broadest social aspects the central problem of industrial relations is a positive one; it is fundamentally a matter of obtaining assurance that industry will be so organized and operated that it will conduce to the maximum social advantage. Social well-being impinges at almost every point upon the proper organization, management, and functioning of the industrial system. The particular problems which arise in the relations between employers and employees are basic elements in the larger problem of progressively improving the standard of life for the mass. Perhaps in this comprehensive sense one may be justified in speaking of *the* labor problem.

On its industrial side, the general problem of elevating the standard of life for the mass consists in eradicating numerous evils in the organization and operation of industry, the persistence of which precludes industrial peace. The success achieved in solving these particular problems doubtless will have considerable influence in determining whether

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capitalistic civilization is to continue indefinitely. Among these specific conditions or problems we naturally think first of undesirable standards of wages, hours, and physical conditions of employment. The economic insecurity of the wage-earning class reflected in arbitrary dismissal, the recurrence of unemployment, and old-age dependency are among the problems of modern industrial relations. The exploitation of women and children, the annual toll in health, limb, and life that modern industry exacts, and the severe competitive struggle with such substandard groups as immigrants and convict laborers are serious problems. No less important are the denial of effective collective bargaining and the tendency of modern industry to repress human personality.

The adverse effects of undesirable conditions of labor are not confined to the particular plants, industries, states and nations in which they prevail; their influence is widely felt. Firms having high standards of employment are forced to compete with those in their own industry that have low standards. Industries in states having progressive labor legislation find it necessary to compete with unprogressive states. The evil consequences of low labor standards are felt even in international competition, because the industries of progressive nations are compelled to compete in world markets with the industries of backward nations.

The specific problems just cited exist within individual industries; there are general economic and social problems affecting human relations in all industries that are just as vitally a part of the labor problem in its comprehensive character. Among these general problems are the disturbing fluctuations in the price level which constantly cause changes in the cost of living; the pressing need for a more equitable distribution of wealth and income, upon which is predicated the more general distribution of human well-being; and the necessity for democratizing both the ownership and the control of industry. A conception of the labor problem not sufficiently inclusive to incorporate these general problems can hardly be acceptable; certainly not to the wage-earning class itself. The elimination of such undesirable conditions as low wages, child labor, accidents, and unemployment would still leave

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unsolved the broader problems of price anarchy, inequitable distribution of wealth and income, and undemocratic control of industry. The solution of these problems is a basic step in assuring the maximum of well-being for the greatest number of citizens, which is the essence of economic justice.

NO SINGLE PANACEA. It should now be clear that there is no single, specific problem the solution of which will carry with it a panacea for all the ills appearing in industrial relations. On the contrary, there are numerous particular problems which may be synthesized in the general problem of constantly elevating the standard of life of the wage-earning classes. There is no automatic method of assuring industrial peace or of guaranteeing industrial justice. Socialists and communists claim to have discovered a panacea in the socialization of the instruments of production, distribution, and exchange. Since private ownership and control of industry is supposed to be the source of all exploitation and the generator of class conflict, socialization, it is claimed, will naturally and inevitably remove the causative factors in the industrial struggle. The merits of this contention cannot be examined until the problems that have produced socialism have been analyzed.

No less confident than the socialists and the communists are those who believe that a fascist corporate state, such as has been developed in Italy under Benito Mussolini and in Germany under Adolph Hitler, eradicate problems of labor relations by prohibiting strikes, lockouts, and other manifestations of industrial conflict. Such an approach is in its very nature a negation of true freedom; where men and women are not free there can be no final solution of the labor problem.

In this connection it is well to keep in mind another important fact, namely, that the problems of industrial relations and the recurrent waves of industrial strife cannot be dealt with successfully by the application of forceful suppression. There is an interesting but not laudable tendency in the United States and other countries to use coercive measures in suppressing the activities of wage earners in their organized attempts to obtain economic justice. This is a strange policy for a people imbued with the spirit of liberty. Labor leaders are imprisoned, union headquarters are raided, peaceful meetings of strikers

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are abruptly broken up, use of the mails is denied the workers, union funds are tied up by injunctions, and strikers and their sympathizers are clubbed or shot down, sometimes with cause, more often with no justifiable cause whatsoever. Such tactics are utterly futile if behind the overt acts of strikers there are real grievances that remain unremedied. Revolt cannot be eternally suppressed if injustice prevails. Far more to be desired are impartial investigations and constructive programs of readjustment.

Closely related to forceful suppression of revolts against undesirable employment conditions is the policy of misrepresentation, so strikingly illustrated in the famous Steel Strike of 1919. Because of corporate influence or control, the press is often very sensitive to the wishes of organized employers and insensitive to the merits of the wage-earners' case. Behind a great strike is visualized the specter of Russian Communism with its apparently illimitable supply of gold and its desire for world revolution. Through direct statement and indirect suggestion the public is led to believe that every great strike has a revolutionary purpose. Such misrepresentation invariably defeats the wage-earners' cause. The attention of the community is completely diverted from the real grievances and the major issues that caused the strike. In the Steel Strike, for example, the grievances arising from the continuation of the twelve-hour shift, the seven-day week, and the denial of independent collective bargaining were lost sight of as soon as the press convinced an uninformed public mind that Russia was responsible for the workers' revolt.⁷ The strike was lost, but unrest remained. In recent years collective bargaining agreements have appeared in the steel industry as a result of the aggressive action of the Steel Workers' Organizing Committee of the Congress of Industrial Organizations. Improved standards of employment and of labor relations have been introduced which should preclude a recurrence of the industrial warfare that marked the great steel strike of 1919.

THE NEED FOR A SCIENTIFIC APPROACH. If there is at hand no panacea,

7. See: The Interchurch Movement, Commission of Inquiry, *The Steel Strike of 1919* (New York, Harcourt, Brace and Howe, 1920); and *Public Opinion and the Steel Strike* (New York, Harcourt, Brace and Howe, 1921).

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no final solution, and coercion and misrepresentation are futile, what then? Scientific method must be applied to the study of the problems of industrial relations. There must be careful and thorough investigation of the conditions that are responsible for discontent; a conscientious effort must be made to eliminate the irritants and eradicate the causes. The problems of industrial relations must be approached in much the same way as an expert physician approaches a disease—pains-taking diagnosis, careful prescription, and constant attention until the disease is destroyed and the physical organism is functioning normally again. The problems of industry are closely interwoven with human predispositions; varied motivation; the structure of finance and credit; the technique of organization and management; the institutions of property, contract, and inheritance; the constitutional guaranties of our citizenry; and innumerable other forces and factors. It is as foolish as it is futile to attempt to deal with such a complex situation by the application of force and violence or by hasty, suppressive legislation. Constructive readjustment is slow, but it is better than reversion to autocracy or precipitate movement into revolution.

Except to collectivists and others who have a more or less definite conception of the structural and functional character of a new industrial order, there is probably no agreed goal toward which civilization should move. Most people are opportunists; they wish to move in a certain direction and will accept any available practical means of advancement. The progressive improvement of the general standard of life is a sufficiently definite objective for most practically minded people, and yet sufficiently indefinite to free them from dogmatic certainty as to the attainment of the final goal. To this positive problem of generally improving the standard of life there is no final solution. As long as the human race has accumulating desires and aspirations and is capable of dreaming of new standards of life that can be exchanged for old, the labor problem as we have defined it will be perennial. Society will always be compelled to attack those negative conditions in industry that hinder the fulfillment of a larger life for the mass.

To this immediate task a scientific attitude must be brought. Open-mindedness and impartiality characterize the scientific approach to

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these pressing problems. Such an attitude is indispensable to a proper understanding of pertinent facts, an accurate evaluation of opinions, desires, and points of view, and the formulation of valid judgments. Treatment of these problems calls for the usual scientific description and analysis, followed by an attempt at synthesis. The validity of human claims and contemporary institutions must be examined, and proposals for readjustment must be critically tested.

In no other field of investigation is there so much room for difference of opinion or such wide latitude for interpretation. Something can usually be said on both sides of each controverted question. Preconceived ideas and predetermined convictions abound in popular discussions of the problems. Public discussions of trade unionism, wages, hours of labor, and socialism, for example, frequently have no factual foundation. This may be accounted for partly by the fact that labor problems are so full of human interest, that almost everybody forms definite opinions regarding them, and partly because individuals approach the discussion influenced by a background of tradition and training that forces them, consciously or unconsciously, to take sides in the conflict between labor and capital. The problems can be approached in a spirit of sympathetic understanding of all points of view and a willingness to accept such readjustments as conditions necessitate, or they may be studied in a spirit of indifference and a complete absence of moral responsibility for change. Although it is true that a better spirit pervades contemporary approaches to the problems, it is also true that considerable cynical distrust, suspicion, antagonism, and passionate emotion characterize discussion.

Conflicting attitudes and points of view are found among different classes of the population. Reactionary individualists, usually comprising the middle class and aristocracy who have benefited greatly by the existing social order, are quite incapable of discovering the basic deficiencies of the present industrial system or of approaching its problems in a scientific manner. On the other hand, the masses, who have fared much less generously under modern industry, find little to praise in present arrangements and can hardly be expected to make a calm analysis of the problems. Nevertheless, a balanced point of view is

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fundamental to a scientific approach. Scientific method has been appropriately defined as ". . . putting aside as far as possible all passion and prejudice, all preconceived notions in regard to the object of study, all beliefs and feelings; seeking only for the truth and being willing to follow it to whatever conclusions it may lead."⁸ Scientific method does not preclude conclusions and convictions; it merely insists that these shall be carefully deduced from impartial, critical analysis of factual evidence.

INDUSTRIAL RELATIONS IN A CHANGING WORLD. A scientific discussion of the problems of industrial relations is necessarily predicated upon acceptance of the evolutionary concept of human institutions. Industrial relations are a product of the forces of evolution. Change is their dominant and universal characteristic. Resistance to change is a fundamental factor in the continuance of conflict between employers and employees. In this connection two diametrically opposite concepts of economic and social life appear, namely, the *static* and the *dynamic*.

According to the static concept, human institutions and economic systems remain unchanged and unchanging—the same yesterday, today, and forever. It is accepted as axiomatic, moreover, that it is socially expedient to discourage all agencies and movements which tend to disturb the *status quo* and conduce to modification in human relations. Hence, there must be no limitations upon private property, right of contract, freedom of individual bargaining, competition, inheritance, or any other vested right or interest. Those who advocate readjustments and restrictions are summarily condemned as radicals—"bolsheviks," "parlor pinks," "reds," and "revolutionists," or at least "dangerous citizens." This point of view frowns upon progress.

The dynamic, or evolutionary, concept posits the doctrine that the most certain and positive thing in life, both physical and institutional, is change. It assumes, moreover, that justice and progress are possible only by the adaptation of all institutions to the imperative needs and circumstances of a changing world. This necessarily involves a denial of a fixed natural order and sanctions, as socially desirable, extended limitations upon such so-called inalienable rights as private property,

8. R. F. Hoxie, *Trade Unionism in the United States*, p. 21.

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liberty, freedom of contract, and competition. This point of view frowns upon orthodox doctrines of employment relations.

The philosophy of "whatever is, is right" constitutes a fundamental denial of social and economic evolution, yet this is likely to be the philosophy of those who adhere to the static interpretation. If there is anything certain, it is that in every epoch of the world's history there has been a considerable amount of exploitation and injustice. Equally certain it is that in all contemporary economic systems—capitalist, communist, and fascist—there exist problems of economic maladjustment. Such maladjustment does not necessarily mean that the entire social system must be destroyed in order to effect a solution. Even the most revolutionary changes must have some foundation in the existing system. To dispense with all economic, social, and political antecedents would be to invite disaster and anarchy. In a scientific approach to the study of human relations in industry, therefore, it is well to recognize the necessary thread of continuity that runs more or less unbroken through the tapestry of time, and to weigh judicially the comparative potential consequences of rigid resistance to change, gradual and constructive readjustment, and revolutionary social reconstruction.

THE PARTIES TO INDUSTRY. If the scientific point of view is a presumption in favor of the evolutionary concept of industrial relations, it is no less a recognition of the various interests represented in the present organization and operation of industry. The statement was made before that the labor problem is not the problem of any particular class, that it is as much the problem of the wage earner as of the employer, and as much the business of the whole community as it is of either of these two classes. It may be true, as it is often contended, that the wage-earning class is most vitally affected by pathological conditions in industry, which in their totality constitute the labor problem. The workers may be more aware of these conditions and suffer most as a consequence of them. But there can be no sustained injury to the working class that does not in some way at the same time seriously injure the whole community because this class represents so large a proportion of the population. In so far as a solution is concerned, the employer

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and the community must assume a social and moral responsibility.

1. *A Social Problem.* The labor problem, then, is in part the community's problem. The public, as the innocent third party in industrial controversies and strife, may suffer irreparable harm. It has been a traditional practice to disregard the interests of the community. Employers and employees have regarded their differences, conflicts, and problems as *inter nos* affairs, merely quarrels within the industrial family. Local, state, and federal governments are frequently urged not to interfere. Strikes and lockouts have stopped the wheels of industry, interrupted the distribution of essential commodities, precluded the rendering of necessary services, obstructed transportation and communication, and thrown vast numbers of people upon public and private relief. Often it seems to matter little or not at all to industrial disputants that children are deprived of milk, that the whole population is denied food and fuel, or that water and electric power are cut off. All this is costly to the community. Nor does the cost always end with these temporary sacrifices. Frequently capital and labor will compromise in settling their dispute and then act in collusion to pass on wage advances through higher prices to the consumer.

It is true, of course, that wage earners are by far the largest group in the nation's population, and consequently constitute the largest proportion of the public. There are those who contend that for this reason the interests of the laboring class and the public are identical. However, the vast majority of wage earners do not belong to labor organizations and may not be in sympathy with the objectives or the methods of those workers who are unionists. Industrial warfare in one industry may affect adversely wage earners in another, so that as consumers the interests of one group of laborers may be in conflict with the interests of those who in another industry are producers. For example, a strike in the coal industry may not only deprive millions of workers of an essential commodity but the increased wages that may result from a strike may advance the cost of living for them. Used in a restricted sense, the term "public" refers to all those who are not directly involved as participants in a particular industrial dispute.

The community is not interested merely in the free flow of essential

goods and services; it is equally concerned with the effect of industrial conditions upon the health and welfare of its working people. The existence of occupational hazards to health and life, the relation of unsanitary conditions of manufacture to the spread of contagious diseases, the effect of low wages upon the standard of living, the influence of industrial employment upon child life, the economic and social consequences of unemployment, and the general effect of industrial conditions upon social progress are supremely important for society. Finally, the community is deeply interested in the economical and efficient operation of industry and the sale of commodities and services at reasonable prices.

Against these abuses the community is not helpless. It can economize in the use of those commodities and services that are made scarce through industrial disputes. It can substitute other commodities, an alternative that is becoming easier as synthetically manufactured goods displace those derived from natural sources. Thus, in prolonged coal strikes resort is had to oil fuel, a fact which is likely to injure permanently both coal operators and coal miners. Of course, the public may through its governmental agencies exercise force to safeguard its interests. This it often does when disputes cause economic disorganization and violence emerges. Local and state police and federal troops are often used to protect property and maintain order and peace. The law and the courts are marshaled through injunctions to restrict the freedom of disputants. It cannot be said that the community has always acted with fairness and without discrimination; too frequently its power has been thrown to the side of property rights as against the purely personal rights of propertyless wage earners. Yet, the community often has been extremely tolerant and patient with both sides in industrial warfare.

2. *The Employer's Problem.* The labor problem must necessarily be regarded as the employer's problem. The employer, whether that term indicates an individual entrepreneur, partnership, or corporation employing workers for wages and salaries, has vital interests to be safeguarded. A business or industrial enterprise necessitates the investment of capital. The productivity of this capital depends upon efficient or-

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ganization and direction. The effective and economical co-ordination of mechanical, material, and human factors will determine the profitability of the enterprise. Materials will not assemble themselves, neither will machines, no matter how automatic, operate themselves. The conversion of raw materials into finished products and the distribution of those products through human and mechanical energy require competent management.

Laborers are not always voluntarily efficient and productive; they do not respond spontaneously to the employer's request or demand for economy and efficiency. Conscious withholding of maximum effort is frequent; soldiering on the job is a common practice in innumerable workshops. With one eye on the boss and the other on the job, labor can hardly be efficient. Labor is, moreover, often wasteful of raw materials, machines, equipment, and tools. Deprived of ownership, direction, and responsibility, wage earners apparently do not discover adequate incentives to co-operation with management. If we add to this attitude of irresponsibility the loss of intimacy in the modern employment relation, it is not difficult to understand why industrial friction prevails and finds expression in strikes, sabotage, and violence.

In addition to finding consciously practiced inefficiency and overt manifestations of unrest, the employer is likely to discover, especially where unionism is strong, that his traditional rights, privileges, and prerogatives in the workshop are seriously challenged, if not positively limited. He may have to reckon with the union and negotiate an agreement with union representatives who are entirely outside of his immediate industrial family. He may be coerced, intimidated, boycotted.

To the employer, then, the labor problem is basically a problem of effective co-ordination of mechanical, material, and human forces, the elimination of waste and inefficiency on the part of his workers, the eradication of ill will and discontent, the cultivation of co-operation and good will, the defense of traditional rights and powers, and the maintenance of an adequate labor force at the lowest cost compatible with the greatest productivity.

3. *Labor's Problem.* The labor problem is most certainly labor's problem. In the final analysis, conditions of employment affect most

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vitality the status of the wage-earning class. Of all the parties to industry the wage earner is normally least capable of defending his vital interests. The community can ultimately resort to the machinery of force and the agencies of the law to safeguard its industrial and commercial institutions. The employer can invariably rely upon his strategic position of ownership to defend himself against accession to exorbitant demands and undesirable situations. His bargaining power is always strong.

With the wage earner it is a different story. Unless his union is extraordinarily powerful, numerically and financially, a prolonged struggle for an equitable agreement is almost impossible. Reliance upon public opinion is extremely precarious. The worker's comparatively weak bargaining position explains why even in prosperous industries his status is often undesirable. Low wages, long hours, unsafe and unsanitary conditions of employment, monotony and fatigue, arbitrary discharge, unjust discrimination, uncertainty of employment, denial of representation, and numerous other conditions that are constituent elements in the labor problem are incomparably more realistic for the wage earner than they could possibly be for the employer or the community. Such conditions affect the health, comfort, and very life of the worker and his family. It is not strange, therefore, that the labor problem is often characterized as being primarily labor's problem.

OUTLINE OF OUR STUDY. The brief analysis of the general nature of the problems of labor relations presented in the foregoing pages suggests two important facts, namely, (1) that such problems are extremely intricate in character and in their ramifications, and (2) that they are the result of an even more intricate set of forces and factors which must be recognized and understood if constructive approaches to a solution are to be forthcoming. This indicates roughly our field of investigation. Our purpose is to discover the essential nature of the problems of human relations in industry; to ascertain the forces and factors that are responsible for the emergence of such problems; to examine as scientifically as possible both the subjective and objective elements of these problems in contemporary American industry; to present as completely as space will permit the ways and means that have been de-

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veloped by wage earners, employers, and the community for eradicating existing evils in industrial relations and meeting the critical situations which recur so frequently in those relations; and, finally, to state the fundamental principles, policies, and objectives of what, in the twentieth century, appear to constitute the major alternatives in economic organization from which capital, labor, and society must choose.

In an initial effort to achieve the basic purposes of our study, we shall in the remainder of Part I sketch the development of industry and industrial relations in the Old World and the New and glance at contemporary American economic organization. The problems of labor relations are inseparably related to the historical hinterland of modern industry. Although they are immediately identified with the evolution of modern capitalism, present-day labor problems are in a very real sense the manifestation of a conflict of classes that emerged in the earliest stages of historical development and has continued with varying degrees of intensity and in constantly changing form ever since. A knowledge of industrial history, only a mere summary of which can be presented in the brief space at our disposal, is essential to an adequate understanding and proper perspective of the conflict between capital and labor in modern economic society. Upon this historical background there will be projected a cross section of industrial life and economic classes in contemporary America. This should enable us to perceive more clearly the significant relation that exists between problems of labor relations and the structure and functions of our economic organization.

Having reviewed the historical forces that have influenced the development of problems in present-day labor relations and oriented our thinking with regard to the economic basis of class interests and points of view, we shall then examine the factors which constantly affect not only the extensity and intensity of the problems with which we are concerned but also the probable success or failure of proposed approaches to a solution. This will be done in Part II, in which we shall analyze geographical, population, psychological, institutional, and technological forces and their causal relation to the problems under consideration.

In Part III our attention will be directed to the specific problems of industrial relations. Here we shall be concerned with the particular nature, factual evidence, and causes of the serious problems that disturb the peace of industry and preclude the establishment of equitable employment relations. The significant array of problems analyzed include unemployment; wealth, income, and the standard of living; the determination of wages; the place and importance of women in modern industry; the relation of hours of labor to health, output, and industrial good will; the wastage of human resources in modern industry; the physiological and economic significance of physical conditions of employment; the competitive struggle involving child workers, Negro labor, immigrant labor, prison labor, and the aged wage earner; the problem of industrial democracy; and the need for international standards of employment relations.

An analysis and description of labor problems would prove an uninviting task were it not for the possibility of formulating sound principles, procedures, and judgments that are indispensable to effective solutions. Whatever gloom and pessimism may be generated by a realistic presentation of the facts of industrial relations may be partially, if not wholly, dispelled by the hope of practical solutions that issue from an examination of the measures and movements which have been developed to meet critical situations in modern industrial life. For this reason there is undertaken in Part IV a study of the workers' approaches to a solution, in Part V a presentation of the employers' approaches, and in Part VI an analysis of the approaches attempted by the community.

The industrial conflict has been partially responsible for experiments in new types of economic organization. All individuals are vitally affected by the type of economic system under which their lives are spent. The interests and well-being of the employing class and the wage-earning class are necessarily directly involved in any proposals to reconstruct economic society. Suggestions for economic reconstruction are invariably advanced whenever the parties to the industrial conflict despair of reconciling their differences under the existing social system. This book deals with problems of labor relations in a capitalistic econ-

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omy. If these problems cannot be solved within the framework of capitalism, what are the probable alternative economic systems? In the United States, Great Britain, France, and numerous other countries that question is one of major interest and importance, as it was once in countries like Russia, Germany, and Italy which claim to have found satisfactory substitutes for individualistic capitalism and democratic methods of economic and social readjustment. In Part VII, therefore, we shall examine critically the alternative economic systems. We shall endeavor, moreover, to construct what seems to us to constitute a satisfactory program of readjustment and continued progress.

A study of the various problems of industrial relations and the movements advanced to solve them will yield comparatively little advantage, individually or socially, if these problems, together with their causal factors and possible remedies, are not clearly comprehended and if a practical program of readjustment is not discovered. The analysis, description, and synthesis presented in this book will, it is hoped, provide a point of departure for sound, constructive thinking without which the degree of social intelligence that is essential to the formulation of equitable solutions cannot be achieved.

Questions for Class Discussion

1. What are some of the important factors that tend to influence one's conception of the labor problem?
2. In what sense and to what extent may unionism be regarded as the essence of the labor problem?
3. If the assurance of economic security is a major aspect of the problem of labor relations, do you think stabilization of currency would contribute greatly to a solution?
4. If it is true that employment relations have been "dehumanized" under modern industrialism, what may be regarded as the most significant causes of this result?
5. Is there any valid foundation for the belief that the elimination of fear and the establishment of good will are the starting point on the road to industrial peace and economic justice?
6. Do you think that industrial peace is completely adequate as a social ideal for industry, or must a guarantee of peace be supplemented by a guarantee of economic security, democratic control, and economic justice?

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7. Why is it so difficult to obtain accurate, impartial newspaper reports of industrial controversies and to secure a fair hearing for both sides in the conflict between employers and employees?

8. Assuming that the progressive improvement of the standard of life of the masses is accepted as the general goal of reforms in labor relations, can there be an ultimate and final solution of the labor problem?

9. Give a concrete example of the application of scientific method to the analysis of problems of industrial relations.

10. Formulate what seem to you to constitute desirable and effective lines of procedure in cultivating rational, objective attitudes toward problems of human relations in industry.

11. In what way does the acceptance of the *static* conception of human relations and social institutions tend to obstruct progress toward a solution of the labor problem? What reason is there for believing that acceptance of the *dynamic* conception would lead to a different result?

12. Do you subscribe to the idea that the interests of the community are paramount in all labor controversies? If so, how do you determine and measure the relative interests of the workers, the employers, and the community?

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Chapter 2

THE RISE OF INDUSTRIALISM IN THE OLD WORLD

¶ THE INFLUENCE OF HISTORICAL FORCES UPON CURRENT LABOR PROBLEMS. In their broadest aspects problems of industrial relations are the result of historical forces; they emerge from the evolutionary process that creates social, economic, and political institutions. As such, their origins are found in the network of human relations woven in the development of civilizations. Employment relations have evolved gradually and changed constantly as old economic and social systems have yielded to new. It is necessary, therefore, to glance at the antecedents of modern industrialism in order to appreciate the true character of contemporary problems of industrial relations and to appraise accurately the present status of the wage-earning class.

ECONOMIC EVOLUTION AND THE EMERGENCE OF EMPLOYMENT RELATIONS. The story of economic evolution is essentially a record of mankind's increasing capacity to organize and exploit the forces of the natural environment for the more systematic and complete satisfaction of an increasing number and variety of human wants. In the broad structure of economic organization that man has developed, different types of work relationships have appeared. A common but not universally accepted classification of the stages of development in economic evolution presents the following: the direct appropriation or *hunting and fishing* stage, the *pastoral* stage, the *agricultural* stage, the *handicraft* stage, the *mercantile* system and the *industrial* stage. These various stages shade off imperceptibly one into the other, so that it is not possible to say definitely when one ends and the other begins. Nor were the changes portrayed by historians the same everywhere. Nevertheless,

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this indefinite categorical classification is sufficiently accurate to give us a kaleidoscopic view of the changing status of the working class.

THE HUNTING AND FISHING STAGE. This is the most primitive form of economic organization known to us. In this period of his history, man's wants were very limited and he depended largely upon the free gifts of nature; no formal system of production, distribution, and exchange was necessary. There was little, if any, division of labor and no such thing as specialization of tasks. Although the institution of slavery began to emerge, the idea of private property was almost imperceptible. Because there was no distinct labor class, no labor problems arose. Women performed many of the menial tasks and tilled the soil while men hunted, fished, and waged war. Urged on by the basic instinct of hunger, the race migrated freely to new and better sources of food supply.

THE PASTORAL STAGE. Although still predominantly migratory, man in the pastoral stage assumed a more conscious direction of his economic life. His activities consisted chiefly in the care of domesticated animals and flocks. A conflict of economic interests developed from frequent disputes over the ownership of pasture lands. Although private property existed in a limited degree, there were no great personal accumulations of wealth, and society was not sharply divided into classes of rich and poor. Custom was relied upon to regulate the inheritance of wealth. There was division of labor within the tribe, but it cannot be said that a distinct differentiation of employer and employee classes existed. Problems of industrial relations could not, therefore, arise. This epoch is often associated with the rise of ancient Hebrew civilization.

THE AGRICULTURAL STAGE. Although agriculture was the predominant and most highly favored economic activity in ancient civilizations, this phase of economic evolution is probably best typified by the manorial system in England from the Norman Conquest (1066) to the sixteenth century. The rural community of the Middle Ages in Europe everywhere presented similar characteristics. The rural economy of this period was chiefly a system under which land owned by lords of manors was cultivated by serfs upon an established service basis. Thus, definite economic classes existed.

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The status of the laborer under serfdom was different from that of the worker under slavery, which sometimes preceded it and sometimes coexisted with it. Under slavery the laborer was identified with the property of his master. The slave enjoyed no rights or privileges of person or property. Before the law and public opinion he was nothing more than the chattel of his owner; neither his family nor his life could be called his own. But the serf acquired certain rights which, though limited, accorded him a measure of freedom and self-respect. He was still subservient to his lord, to whom he rendered "week work," consisting of two or three days of labor each week throughout the year, and "boon work," comprising labor on the lord's land one or two days in the ploughing and harvest seasons. The serf, or villein as he was sometimes called, was required also to give to his lord certain gifts and services on special occasions, such as the marriage of the lord's children.

The life of the medieval serf was walled about with many restrictions and his freedom was more apparent than real. It is true that he was endowed with certain customary rights in the soil, from which he could not be separated even if it changed ownership. Freedom of choice and of migration did not exist for him. If he ran away he could be forced to return. Usually he could bequeath his property to his children, but the courts might regard it as belonging to his lord. No impartial tribunal existed to assure him justice, since when he was accused of wrongdoing he was tried in the courts of his lord by the latter's representatives. Although the majority of the laboring population were serfs, there were also "free tenants" who were independent farmers and "cotters" who held small pieces of land. The economic position of these classes was not an enviable one, but it was an improvement over serfdom.

The manorial system gave almost all the rights and privileges to the master class and imposed all the toil, sacrifice, and responsibility upon the subject class. Disintegration was, therefore, inevitable. As the years passed, the number of free tenants increased rapidly. It became the practice to commute customary services to the lord into fixed payments

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in money or kind. In due time there appeared a class of agricultural workers laboring for wages. Slavery, serfdom, and the wage system thus existed side by side, distinct economic classes developed, and conflict of interests became pronounced.

THE HANDICRAFT SYSTEM. With the development of towns as the centers of trade and handicraft in the closing years of the thirteenth century, an urban civilization arose that was destined in the course of immediately succeeding centuries to destroy the foundations of feudalism and serfdom. Conflict developed between these manufacturing centers and the feudal lords. As the latter perceived their power waning beneath the expansion of urban industries, they became bitterly antagonistic to urban civilization. The cities were free and the servile serfs seized every opportunity to escape to them because they were welcomed and made free men. This foreshadowed the doom of serfdom.

Because of its unique handicraft system, the urban community of the Middle Ages receives considerable attention from students of industrial relations. Here one finds a much improved economic organization and distinct progress in the status of the working class. The dominant factor in this civilization is the guild system, which developed somewhat later than the manorial system of the rural community. Entire towns were converted into merchant guilds which, receiving from the king a practical monopoly of trade in exchange for allegiance and special services, regulated stringently the buying and selling of goods, including the times and places of sale, prices, and fair dealing. As the towns grew, numerous handicrafts came into existence. Within a century after the genesis of the merchant guilds the artisans of various crafts organized their own guilds to promote honest work, fraternal relations, and the right of trade in their product. The decay of merchant guilds was due primarily to the emergence of these new associations of craftsmen.

Membership in the craft guild was essential to the conduct of business, and every effort was made by the guilds to guard the monopoly of their own trades in their own towns. Although trade skill was a condition of entrance into the guilds, membership was not unduly

restricted in the early period of their existence. Full membership, however, was acquired only by passing through the successive stages of apprenticeship, journeymanship, and mastership. Good workmanship and strict adherence to the rules of the craft were basic ideals. Both the quality and price of goods were supervised strictly. Workshops were inspected, hours of labor were regulated, and moral and social life were carefully cultivated. Largely because of the difficulty of supervision, night work was prohibited.

Employment relations in the craft guild are worthy of special attention. The apprentice was bound by contract to serve his master for a specified period of years, usually seven, and to keep secret his master's affairs, obey his commands, and conduct himself circumspectly. In return the master agreed to provide the apprentice all necessary food, lodging, and clothing, and to teach him the rudiments of the trade. Social advantages, moral instruction, schooling, and a small wage were also often included in the terms of the contract. Discipline was not always easy to maintain and sometimes taxed the resources of the guilds and the patience of the masters. Upon the expiration of his term the apprentice became a journeyman, or full workman. As such, he worked for wages in the employ of either his master or another master craftsman, and he was often able to accumulate sufficient money to open a shop of his own. Then, as a master craftsman, he was admitted to all the rights and privileges of the guild.

Despite frequent breaches of contractual obligations on the part of both masters and apprentices, the employment relation under the craft guild system was intimate and congenial—a marked contrast to the strained relations that so often exist in modern industry under capitalism. Work was performed in the dwellings of the master craftsmen; hence the enterprise was never large and no conspicuous differences existed in the social status of master, journeyman, and apprentice. An historian of the period characterizes the employment relation as follows: "Drawn from the same social status, united by a sense of common interest, masters and men in the early days of industrial development could toil side by side in willing co-operation, undivided by the antagonism of capital and labor. . . . There were no permanent classes

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of employers and employees, the one rigidly divided from the other by an almost impassable barrier of wealth and social status.”¹

The road to independent ownership and control of industry was open to all who wished to travel that way. With intimacy dominating industrial relations, moreover, misunderstandings were less likely to occur than under the impersonal relations of the modern workshop. Friendliness and co-operation under the guild system were not confined to the place of employment. The apprentice ate at his master's table, lived in his master's home, and often married into his master's family. Moreover, the needs of the whole fraternity of workers were cared for. Little in the active life of the members escaped thoughtful attention on the part of the guild.

CHANGE AND TRANSITION. Internal divisions and external changes in the distribution of industry gradually tended to weaken the guild organization, and its decay was hastened by the hostility and intrusion of the national government. By the year 1600 the guilds had lost their dominant place in the industrial and commercial life of England.

The guild system was superseded by the domestic system, which developed in the sixteenth and seventeenth centuries and remained the prevailing type of industry in England until the middle of the eighteenth century. Under the guild regime the master craftsman sold directly to his customers the goods produced in his own workshop, but under the new system the functions of production and distribution were divorced from each other. The workman became less independent; he now received from the middleman the raw materials, which he converted into finished products and in this form returned them to the middleman. Industry was still carried on by hand methods on a small scale. Considerable work was done outside the towns, which, with the genesis of the modern period, lost their importance as centers of trade. Under the domestic system, moreover, the artisan frequently combined industrial work with toil in the fields. The home assumed even greater importance as the center of industrial life than it had under the old regime.

1. E. Lipson, *An Introduction to the Economic History of England* (London, A. and C. Black, Ltd., 1915), vol. i, pp. 288, 345.

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Not infrequently in the course of history great catastrophes have changed the currents of civilization. Such a time was the middle of the fourteenth century, when the Black Death, a frightful epidemic that originated in Asia about 1346, reached Europe two years later and in the winter of 1348 destroyed from one-third to one-half of England's population. It is said that the majority of the laboring people died in the plague. The resultant scarcity of labor, coupled with the extraordinary demand, enhanced its price. Both free artisans and those serfs who had lost their masters were quick to take advantage of the favorable labor market and press their demands for higher wages.

Attempts were made by the government to compel serfs to give the same labor return in exchange for their allotments as they had rendered under the old service system. In 1351 and many subsequent years in England the Statutes of Laborers were enacted to force workers to accept employment. Definite rates of wages for various classes of labor were established by law, and workers were required to declare their acceptance of these provisions. Violation of the laws was punishable by two or three days in the stocks and by imprisonment. Unscrupulous efforts were made to return serfs to bondage, from which they had claimed freedom, and also to suppress the liberty of free artisans.² With slight modifications the original statutes were re-enacted thirteen times within a century. But these regulatory measures failed.³ Inflated prices made impossible the acceptance of customary wages. The Peasants' Revolt in 1381 was a natural culmination of repeated grievances and the denial of liberty. The open revolt accomplished little, but by the end of the century the condition of the working class was greatly improved and protest became less necessary.

Even agricultural life did not escape the influence of change. The high price of wool and the advanced level of wages combined to encourage the enclosure of lands previously allotted to serfs or held in common. These lands were converted into sheep ranches because sheep

2. R. W. Cooke-Taylor, *The Factory System*, p. 309.

3. See B. H. Putnam, "The Enforcement of the Statutes of Laborers, During the First Decade after the Black Death, 1349-1359," *Columbia University Studies in History, Economics and Public Law* (New York, Longmans, Green, 1908), vol. xxxii.

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raising could be carried on with fewer hands and a consequent reduced wage expense. Here idle capital found new outlets, and employers escaped from the restrictions of local custom. Both foreign and domestic demand created a favorable market for wool. To meet the new opportunities, scattered holdings of land had to be consolidated, with the result that the lords of manors initiated wholesale eviction of tenants and the one-piece farms became popular.

This change improved agriculture, but it was attended by severe hardships and considerable suffering for the poorer classes. Because sheep raising required relatively few laborers, farm workers had to seek employment elsewhere, with the consequence that whole villages were deserted, houses fell into ruin, and some townships lost their whole population.⁴ This precipitous decay of villages and towns was bitterly opposed, but rural changes persisted in spite of protest. The enclosures reached their height in the early years of the sixteenth century.

THE MERCANTILE SYSTEM. The decay of town authority did not abandon economic life to the free play of natural forces. Regulation by the central government gradually superseded that of the towns. Progressive substitution of national for local regulation took place during the reigns of Henry VII (1485-1509), Henry VIII (1509-1547), and Queen Elizabeth (1558-1603). Weights and measures, coinage, labor relations, and numerous other economic activities were supervised. This national system of regulation, which prevailed in England and other European countries from the sixteenth to the nineteenth century, is called "Mercantilism." Its central idea was the guidance of economic affairs in such a way as to increase the commercial and military power of the nation. In war and in peace the essential safeguard of national welfare was found in economic self-sufficiency. Commerce was regulated, a favorable balance of trade was encouraged, a large supply of the precious metals was coveted, tariffs were imposed, agriculture was stimulated, all for one purpose—national independence and power.⁵

4. E. P. Cheyney, *An Introduction to the Industrial and Social History of England*, rev. ed. (1922), p. 123.

5. N. S. B. Gras, *An Introduction to Economic History* (New York, Harper, 1922), pp. 200, 201.

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The concept of citizenship was extended to the whole state, and regulation was planned and executed by the national government or by individuals and associations to whom authority was delegated.⁶ By the time of Elizabeth this regulation of economic life had become rigidly systematic. Prices, wages, and the rules of apprenticeship were fixed by public authority, the quality of goods was inspected by public officials, and numerous patents and monopolies were granted by royal decree to favored individuals and companies, ostensibly to foster trade and new industries.

Our interest centers chiefly in the strict regulation of labor relations, which was often oppressive and motivated by a desire to make labor cheap and the workers subservient. The legal status of the laboring class in this period is vividly revealed by the provisions of the famous Statute of Apprentices, passed in the fifth year of Elizabeth's reign (1563). This historic industrial code, which was not repealed until 1813, was in all its essentials a recrudescence of the old Statutes of Laborers that had been continued from time to time ever since their introduction.

Under the new code labor was compulsory, and justices of the peace were required to assemble in each community once a year to establish wages for each kind of industry. Seven years of apprenticeship were specified for every person who wished to engage in a trade. The length of the working day was fixed by law as twelve hours in summer and during daylight in winter. All engagements, except those for piece-workers, were to be by the year, with six months' notice of termination of contract by either employer or employee.

Some provisions of the Statute of Apprentices were persistently disregarded. When appeals were made for its application to farm work in the latter part of the eighteenth century, Parliament refused to enforce it, as it had done in the case of discharged soldiers in 1726 and certain dyers in 1777. The old regulation of economic life had never been so complete in practice as it had been on the statute books, and much of it died out of its own accord.⁷ In the functional life of the old economic

6. *Ibid.*, p. 201.

7. Cheyney, *op. cit.*, p. 196.

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order a new industrial system was being born in which the limitations upon economic freedom were to find scant welcome.

THE BEGINNINGS OF MODERN INDUSTRIALISM. Modern industrialism is everywhere primarily a product of the nineteenth century, but its foundations are set deep in the great mechanical inventions of the eighteenth century, and it cannot be divorced completely from the industrial antecedents of earlier times. The little more than a hundred years between 1730 and 1840 witnessed the inception of changes that swept aside methods of production and distribution prevailing for hundreds of years and ushered in modifications in the social structure that were filled with significance not only for England but for the entire world. These changes are commonly referred to as the Industrial Revolution.

As the eighteenth century progressed, there was constant expansion of England's commerce occasioned by increasing foreign demand for her manufactured goods. The markets of nearby Ireland and continental Europe as well as those of far distant North America, Asia, and Africa called for her commodities. But the demand could not be met because of her primitive methods of manufacture, transportation, and communication. Her commodities were for the most part manufactured by the same tools and methods and under the same organization of labor as had been in use for centuries. The scattered cottages of domestic weavers and weaver-farmers in the rural districts of the west and north of England were the centers of production. In these homes were carded, spun, and woven the cotton and woolen goods that English ships carried to the far corners of the known world. "The pieces of goods were slowly gathered from the hamlets to the towns, from the towns to the seaports, over the poorest roads, and by the most primitive of conveyances."⁸

These conditions prevailed despite the availability of considerable capital, much of which was not remuneratively employed. The time was ripe for a radical change in methods of production and distribution. The spirit of invention, which so often in human history has been

8. *Ibid.*, p. 177. •

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mothered by necessity, gradually awakened. In 1738 Kay had greatly facilitated the weaving process by his invention of the drop box and flying shuttle, which enabled one weaver of broadcloth to do the work of two. This improved the weaving process so much that it became difficult to obtain sufficient yarn from the spinners.

In the course of the century, inventions that completely revolutionized the industrial life of England appeared in rapid succession. James Hargreaves' "spinning jenny," invented about 1767, greatly facilitated hand spinning. In 1769 Richard Arkwright made a practical success of roller spinning (a method patented long before), using horse power and, later, water power. Numerous improved spinning machines, which carried more spindles and spun the threads more rapidly than the jennies, were subsequently invented by him. A weaver named Samuel Crompton, perceiving that roller spinning was more rapid but that the jennies spun a finer thread, combined the two devices into one machine, known from its hybrid origin as the "spinning mule." This was invented in 1779, and since it was not patented it soon came into general use. After 1785 steam power was applied to cotton spinning. The urgent problem now was in weaving, where the process was too slow. In 1784 a clergyman, Dr. Edward Cartwright, began intensive experimentation that brought to perfection the power loom, which was widely used by the beginning of the nineteenth century.

The utilization of steam in the production of force had long been familiar, but it was not made generally available until James Watt's improvements were patented in 1769 and succeeding years. In 1785 the first steam engine was used for power in a cotton mill, and soon steam was rapidly replacing water power. Improvements in the steam engine made possible great advances in the iron industry, which was basically important in the new age of machinery. This aided both mining and manufacturing industries. Improvements in the blast furnace made possible the substitution of coal or coke for charcoal in the smelting of iron, a significant innovation on account of the diminishing supply of charcoal.

Transportation facilities were improved by the construction of better roads, the building of canals (1790-1805), and the development of

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steam locomotion. In 1814 Robert Stephenson's invention of the locomotive made possible the application of steam power to land transportation. In 1825 the first English railroad was opened for traffic. Henceforth, England's position as a leader of industrial nations was assured, and there began an era of material progress hitherto unknown in the world.

THE APPEARANCE OF THE FACTORY SYSTEM. Although not completely a product of the great inventions, the factory system developed with unprecedented rapidity following the introduction of mechanical improvements. Effective exploitation of these inventions required large amounts of capital which the old weavers and spinners did not possess. The new machinery was too expensive for them to purchase and use. Fortunately, considerable capital was available for investment, so the early machine spinners and weavers drew into partnership moneyed men from the towns who previously had had no connection with manufacturing. The new industry, moreover, required groups of workers employed for regular hours in buildings where machines were permanently placed and power was supplied. To these centers of industry and employment the workers were attracted. Thus the factory system, involving the application of machinery and artificial power, the investment of increasingly great accumulations of capital, and the employment of large groups of workers in strictly regulated establishments, assumed its permanent form. With it came numerous economic changes and social problems.

THE DECAY OF DOMESTIC MANUFACTURE. The invention of machinery not only created a new industry but mercilessly destroyed the old. Hand labor could not compete successfully with the machine. Rural domestic manufactures were confined to inferior forms of production which were bound to disappear as cheaper and better methods were introduced by factory operators. Sometimes the domestic artisans struggled on in futile competition with the factory system, but those who tried to resist the new processes were gradually forced into the ranks of factory or agricultural laborers.

EFFECTS OF THE FACTORY SYSTEM: I. *Changed Status of the Worker.* Among the most important effects of the new factory system was the

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change in the relative positions of capital and labor in the scheme of production. The payment of a definite wage for a prescribed period of time freed the worker and the employer from the personal ties and mutual obligations that had existed under earlier work organizations. Gradually the home was superseded by the factory as the center of production. No longer could the worker acquire ownership and control of the means of production as he had been able to do under the domestic system and the earlier guild regime; moreover, the severity of competition increased as the machine invaded the province of skilled craftsmanship. Conditions of labor, wages, hours, and supervision were now solely under the jurisdiction of the employer; the worker was subject to a new kind of master and made subordinate to the machine.

2. *Widened Breach between Employers and Employees.* All this meant the division of industrial society into well-defined and more or less permanent classes, and it was inevitable that the breach between employers and employees should be widened as their interests became more divergent. As Arnold Toynbee has appropriately observed: "The new class of great capitalist-employers made enormous fortunes; they took little or no part personally in the work of their factories; their hundreds of workmen were individually unknown to them; and, as a consequence, the old relations between masters and men disappeared, and a new 'cash nexus' was substituted for the human tie."⁹ In the majority of the major industries the small master was forced into the wage-earning class, while the large master became a capitalist-employer.

3. *Expansion of Commodity Markets and Competition.* The increased production made possible by the inventions soon forced the expansion of commodity markets. The area of buying and selling became national and international in scope. Improved methods of transportation and communication rapidly brought into severe competition producers from many countries. To meet this competition in world markets, economy and efficiency were imperative and expenses of production had to be kept at a minimum, all of which invariably was reflected in employment standards and policies.

It was no longer an easy task to gauge the demand for goods in this

9. *The Industrial Revolution*, p. 73.

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widened area of trade. Overproduction frequently occurred and resulted in adverse conditions for industry, commerce, and labor. Industrial crises and financial panics appeared with increasing frequency, bringing with them periods of general unemployment and extreme suffering for the wage-earning class. In breaking down national isolation, moreover, improved methods of transportation and communication connected the labor markets of the world and brought into competition the workers of many lands.

4. *Division of Labor.* The new industrial organization of society was characterized also by a complex division of labor, a marked contrast with the simple division of tasks that existed under earlier industrial systems. In the guild and domestic organizations each worker performed all of the processes connected with the manufacture of specific commodities. The intricate machine methods of the factory system led to increasing specialization of tasks, with the result that the worker was less able to see the relation of his particular job to other jobs and to the finished product of the workshop. Such minute specialization, moreover, tended to deny stimulation to the impulse of creative workmanship.

5. *Entrenchment of the Wage System.* As already indicated, the new industrialism resulted in well-defined separation of employer and employee functions. This process of differentiation has continued until now we have capitalists whose responsibility it is to furnish capital for the organization and expansion of industry, entrepreneurs whose function consists in organizing and directing the forces of production and distribution, and wage earners who sell their labor power for a specified time for a more or less definite wage. The worker has thus lost that liberty of choice which once "constituted his safeguard against the usurpations of capital, and henceforth he has no means of livelihood other than to sell his labor to the capitalist for the wages which it pleases the latter to give him."¹⁰ Whatever sense of ownership and comradeship he enjoyed under simpler forms of economic organization has vanished, and with it most of his spontaneous interest in workmanship and in the success of the enterprise. Relieved of all re-

10. Achille Loria, *Economic Foundations of Society*, p. 4.

sponsibility in direction, he was deprived of a natural stimulus to co-operation. To work for wages became his established lot, and escape from the regimentation of factory life became increasingly difficult. Thus the wage system was firmly entrenched, perhaps for all time.

6. *The Emergence of Social Problems.* It is generally agreed that the condition of the English laboring classes in the latter part of the eighteenth century and the early part of the nineteenth was considerably worse than in any previous period in the nation's history. Whether this was attributable to the changes incident to the Industrial Revolution, it is difficult to say. The lot of child workers, at least, was wretched enough under the domestic system, but their exploitation came largely from their own parents.

The radical changes in the organization and operation of industry ushered in by the Industrial Revolution were doubtless responsible for many of the economic and social problems that developed in the early decades of capitalistic civilization. Population grew rapidly and was absorbed into the field of manufactures, but not without the unemployment and suffering that inevitably follow great transformations in technical processes. In the new factories women and children were employed more extensively than in the earlier forms of industry. The easily operated machines made possible their employment instead of that of men. The early mills and workshops were small, hot, damp, and unhealthful. A workday of twelve, thirteen, or fourteen hours was not unusual. Wages were sometimes higher than under the domestic system, but employment was less regular on account of seasonal and periodical depressions in the new industry. Cruelty to apprenticed children was common. These evils were worst in the smaller factories, the owners of which were hard pressed by the relentless competition of the new system.

Outside the factories those who, like the hand-loom weavers, attempted to work in their own homes in the old way suffered from irregular employment and extremely low earnings. The power loom decreased the demand for hand-loom weavers, but only the direst necessity could drive these conservative craftsmen into the steam factory, and not infrequently they preferred extreme poverty to the surrender of

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their freedom. "Most hand-loom weavers competed with the factory, instead of entering it and attempting to secure for themselves as large a share as possible of the gain from new economies in production."¹¹ To understand this seeming stubbornness on the part of hand-loom weavers, one must remember that their conditions of life and work throughout most of the eighteenth century had not been unpleasant. They possessed the spirit of independence and self-respect of the businessman rather than the inferior feeling of the wage earner. To work for wages in the factory meant the surrender of this traditional independence.

The rapid growth of manufacturing towns in the north and west of England resulted in a breakdown of all arrangements for providing water, drainage, and fresh air. The new factory towns were often filthy, congested, and demoralizing; and rents soared to unprecedented levels as a result of overcrowded conditions. To the working classes, these towns offered as little opportunity for happiness or self-expression as did the mills. They had no control over their own affairs either inside or outside the workshop. A weaver or spinner in the factory "had less to remind him that he counted in the life of a society than his grandfather who had helped to administer the little affairs of the village and to regulate the use of its common pastures."¹²

Then, as ever since, craftsmen rebelled against the invasion of the machine that robbed them of their skill. "They saw the labor that they had been accustomed to do with their hands, and that was intimately related to every action and passion of their lives, performed, and far better performed, by a passionless, indefatigable machine: a mere combination of wood and metal: without a heart to feel, a stomach to be fed, or tender ties and sympathies to be accounted for. . . . The due fulfillment of economical laws did most assuredly in the absence of any exterior impulse to the contrary, involve their present destruction; and that they knew and for the moment it was all they cared to know. Thus gloomily, amid tumult, fear and suffering was the modern factory system introduced."¹³

11. S. J. Chapman, *The Lancashire Cotton Industry*, p. 46.

12. J. L. L. and Barbara Hammond, *The Town Laborer*, p. 46.

13. Cooke-Taylor, *op. cit.*, pp. 428-9.

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7. *Economic Liberty and Laissez Faire*. Prevailing philosophy often influences the attitudes of men and governments toward industry and business, just as these in turn help to mold prevailing political and economic doctrines. It was so in the transition from the domestic to the capitalistic system of industry. Contemporaneously with the rise of modern industrialism there appeared a new concept of governmental attitudes toward industry and trade, the influence of which has continued to the present day. The new philosophy was fundamentally a reaction against the restrictive policies that nations had adopted, under the influence of mercantilism, to strengthen their position at the expense of other nations. Its essence was the "obvious and simple system of liberty." In his *Wealth of Nations*, published in 1776, Adam Smith describes this doctrine as follows: "All systems either of preference or restraint . . . being taken away, the obvious and simple natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interests in his own way, and to bring his industry and capital into competition with those of any other man or order of men."¹⁴

The upper classes and the majority of the members of Parliament were soon converted to the necessity and efficacy of a *laissez-faire*, or noninterference, policy with regard to industry and trade. Regulations imposed by the Elizabethan Statute of Apprentices became obnoxious to them. In 1811 a select committee of the House of Commons reported that "no interference of the legislature with freedom of trade, or with the perfect liberty of every individual to dispose of his time and his labor in the way and on the terms which he may judge most conducive to his own interests, can take place without violating general principles of the first importance to the prosperity and happiness of the community."

Legal interference with industrial relations, then, was thought to be as unnecessary as it was futile. The state was powerless to protect the workers, and the employer was unable to injure them. "The workmen were in the hands of a power that was obliged by the law of its being to secure them all the comfort and freedom of which they were capa-

¹⁴. End of chap. ix, book iv.

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ble.”¹⁵ The old restrictive laws were soon set aside to allow free play for industry. In 1813 the enforcement clause of the Statute of Apprentices, which required justices of the peace to fix wages, was repealed, and in 1814 the apprenticeship clause of the same act was nullified. One by one the regulatory laws enacted in the sixteenth and seventeenth centuries suffered the same fate.

The new individualism had a positive as well as a negative side. It not only discarded the old restrictions upon economic life but sought a constructive, positive motive that would insure economic progress. Enlightened self-interest was recognized as the dominant incentive and universal free competition as the indispensable impetus to industrial advancement. Every human motive other than the unfailing principle of self-interest might be dispensed with and no undesirable consequences would accrue. Universal economic laws—self-interest, free competition, supply and demand, and population—would govern industry wisely and without prejudice. History teems with instances in which a belief in the efficacy of natural law has been embraced by the economically strong to justify the exploitation of the economically weak.

THE RETURN TO SOCIAL CONTROL. Mankind has seldom proved capable of using unrestrained freedom wisely. The abolition of mercantilistic limitations upon industry and trade and the resultant free play of economic forces under theegis of *laissez faire* brought new problems no less serious than the old. Technical improvements had increased the production of wealth and with it the poverty and suffering of the wealthless. Unrestricted liberty degenerated, as it usually does, into license. Economic inequality soon made it imperative for society through law to define the limits of the competitive struggle and to supervise contractual relations. The unreasonable limitations of mercantilism could not be restored, but a goodly measure of social regulation was indispensable to sustained social welfare and progress. Sensitively minded reformers soon perceived the incongruity of the rapid accumulation of wealth and the simultaneous decaying of human well-being and happiness among the masses.

In 1802 the agitation of Robert Peel and Robert Owen resulted in the

15. Hammond, *op. cit.*, p. 198.

passage of the Health and Morals Act to Regulate the Labor of Bound Children in Cotton Factories. This law limited the hours of apprentices in cotton and woolen mills to twelve and prohibited night work. It also regulated education and church attendance. By an act of 1819 no child, whether apprentice or free, was allowed in a cotton factory until nine years of age, and from the ages of nine to sixteen the maximum limit of the day's work was twelve hours. This measure was deficient in that it did not apply also to worsted and woolen mills. In 1833 all textile mills were brought under legal regulation, administration of the acts was improved through the appointment of inspectors, night work for children was prohibited, a certificate of physical fitness was required, and various provisions were strengthened. The Children's Half-Time Act of 1844 provided for the safeguarding of machinery, reporting of accidents, public prosecution to gain damages for accidents, and the employment of children for half-time only, the other half to be spent in school. The Ten-Hour Act of 1847 secured the ten-hour day for women and young persons.

The factory acts did not apply to mines, in which conditions were as bad as, if not worse than, in the mills. Thousands of women and children worked in the mines, the latter beginning life in the coal mines at five, six, or seven years of age. Girls and women worked like men and boys, and the hours were twelve or fourteen in every twenty-four, often at night. The Mines and Collieries Act of 1842, as finally revised, prohibited the employment of females of any age and of boys under thirteen years in underground mines.

The second half of the nineteenth century witnessed the extension of social legislation to numerous other phases of industrial life. This movement has continued until now there are laws covering such matters as minimum wages, workmen's compensation, sickness insurance, unemployment insurance, and old-age pensions.

The workers, however, have not depended solely upon the law to safeguard their economic interests, but they have supplemented it by their own voluntary associations. Although organizations of laborers existed long before the dawn of capitalism, as in the journeymen's associations of the Middle Ages, the labor movement as we understand

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that term is essentially a product of the new industrial system. It is only in this period that one finds a continuous, sustained, and permanent development of unionism. Early labor unions met serious obstacles in the revival of old laws and the enactment of new ones prohibiting combinations of laborers to increase wages and otherwise change the conditions of employment. Subsequent to the sixteenth century a series of statutes known as the Combination Acts were passed periodically. The object of these acts was to prevent artisans, either employers or employees, from combining to change the terms of the labor contract as fixed by law. The last Combination Acts were passed in 1799 to 1800. They were an undisguised exercise of the power of the employing class, which had gained political pre-eminence, to use their membership in Parliament to legislate in their own interest.¹⁶

These measures provided that all agreements between journeymen and other workmen to secure advances in wages, to reduce the hours of labor, to prevent the employer from engaging whomever he might choose, to persuade any workman not to labor, or to refuse to work with other laborers, should be illegal. Any justice of the peace was empowered to convict by summary process and sentence to two months' imprisonment any workman who entered such a combination.¹⁷

The ordinary activities of trade unions were also illegal under the common law, which was based upon the doctrine that continued attempts to influence wages, hours, prices, or apprenticeship were conspiracies in restraint of trade. Popular opinion invariably was adverse to trade unionism, so that it was placed at a disadvantage. In 1825, however, the Combination Acts were repealed and the legal right of trade unions to exist was established. It was obvious to all that the prevailing inequality of bargaining power precluded equality of true liberty. Logic, combined with convincing evidence, forced the government to concede that the new freedom necessarily implied the rights of workers to organize for protection. Thus the pendulum of social attitudes swung back to legal safeguards for the economically inferior. The new industry and the new freedom had to be restrained.

16. Cheyney, *op. cit.*, p. 280.

17. *Ibid.*, pp. 280, 281.

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Questions for Class Discussion

1. Why is it that the labor problem, as defined in this discussion, did not emerge in the early stages of economic evolution?
2. What were the principal differences in the status of the laborer under slavery and serfdom?
3. How may we account for the origin and expansion of economic institutions such as slavery and serfdom, which are so repugnant to our present conception of human dignity?
4. In what particulars does the status of the worker under the craft guild system differ from that under serfdom and slavery?
5. What were the outstanding historical developments that affected the position of the laborer in the transition from medieval to modern times?
6. Do you find any similarities between the position of industry and labor under mercantilism and contemporary fascism?
7. What were the most important factors that caused the rise of modern capitalistic industry?
8. In what way, if at all, did the motive, spirit, and methods of the new industrialism differ from those of the antecedent economic systems?
9. What were the major changes and consequences of the Industrial Revolution in so far as the interests and position of the working class were concerned?
10. Formulate the essential assumptions and conclusions of the philosophy of individualism?
11. In what way and to what extent have subsequent economic changes precluded the operation of what the classical economists called "the obvious and simple system of natural liberty"?
12. Do you think that in a naturally free economy individual and social interests inevitably are identical and harmonious?
13. What conditions contributed to the partial abandonment of *laissez faire* and the revival of social regulation of employment relations in the nineteenth century?
14. Surveying the evolution of economic society in the Old World, do you agree that problems of labor relations are the inevitable consequence of historical forces?

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Chapter 3

THE DEVELOPMENT OF INDUSTRIALISM IN THE UNITED STATES

¶ THE OLD WORLD BACKGROUND OF AMERICAN CIVILIZATION. American civilization had its origin in the Old World where, as we have seen, economic changes were taking place that were destined eventually to revolutionize the organization and operation of industry in all countries. Our economic, political, and social institutions have been greatly influenced by the millions of immigrants, representing almost every race and nationality, who have contributed to the growth of our population, the exploitation of our natural resources, the development of our industries, the expansion of our commerce, and the emergence of our national problems. From the beginning of its settlement, America has allured the discontented, the oppressed, the ambitious, and, sometimes, the morally delinquent. This new country, often described as the "melting pot of nations," has received all kinds and qualities of people who have transferred to it ideas, customs, institutions, and practices that had their inception in other lands.

There are those who think that the basic motivating force in social progress is the almost instinctive desire of the human race to be free and to improve its standard of life. The history of our nation adds considerable support to such a contention, even though as a general theory it may not be true. Religious persecution, political despotism, social stratification, and economic stringency have driven men and women to seek an improved status in the western world. To them America has not been simply a habitation; it has invariably signified a land of opportunity, freedom, and democracy. Here was at least the promise of a

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larger life for themselves and their families than had been their lot in the older environments.

THE CHALLENGE AND INFLUENCE OF A VIRGIN CONTINENT. Although the civilization of an ancient world has thus been poured into the new mold of the Western Hemisphere, American institutions have developed their own peculiar characteristics and the American people their own qualities under the imperious necessity of adjustment and accommodation to a primitive land. New conditions and new forces were involved in conquering a continent, winning a wilderness, pushing a stubborn frontier to the western seaboard, and creating new institutions. The virgin environment presented a tremendous challenge to the enterprising, ambitious, and adventurous, and the severe struggle with nature has left an indelible impression upon the character of the people and the civilization they have wrought.

Under such circumstances, it is not strange that at a very early date the inhabitants of the New World should develop a tenacious conception of the ideals of liberty, equality, fraternity, and private property. In the new country the colonists lived in comparative isolation and enjoyed great independence. Land was free and abundant in the early period of national life and for more than a century could be acquired on very easy terms. The general similarity in economic status precluded the immediate rise of social inequality.

INDUSTRY AND LABOR IN THE COLONIES. In all the American colonies agriculture was the basic industry, and cultivation of the soil determined to a considerable extent the nature and progress of manufacture and commerce. This was the result of geographic environment. Since the soil was fertile and the land abundant and practically free, the pioneer could readily undertake his own enterprise even though he possessed little capital. As the land was cleared and the growth of crops assured, the colonial farmer during the seventeenth and eighteenth centuries achieved almost complete economic independence and self-sufficiency. Large-scale agricultural production in the South necessitated considerable capital and was assumed by a wealthier group of landowners. It is well to remember, however, that even here the vast majority were small farmers.

The economic life of the colonies was simple, being characterized mainly by extractive industries. Farming, lumbering, shipbuilding, trading, and fishing were the principal occupations. Such essential commodities as soap, candles, leather, cloth, and hats were produced in the homes, and here also carpentry and blacksmithing were carried on. Outside of the home there was little production of goods for domestic or foreign markets. Although colonial governments encouraged the development of manufacture by granting bounties and other forms of assistance, the scarcity of labor and capital, the opposition of the mother country, and the restricted conditions of pioneer life precluded rapid progress along this line. Gradually, however, manufacturing was developed and many commodities were produced for export to the West Indies and to England.

Europe and North America during the seventeenth and eighteenth centuries present a study in contrast. In Europe, labor was abundant and resources limited; in America, resources were plentiful and labor scarce. Europeans who came to settle in North America found a virgin continent awaiting exploitation and abundantly blessed with all forms of wealth. But scarcity of labor was from the very beginning a serious obstacle to rapid exploitation. It is not strange, therefore, that the Puritans apotheosized work and condemned idleness.

In the North the small farms were cultivated by the landowner's family, and only occasionally was help employed on a wage basis. The extensive plantations of the South, on which staple crops were raised, were in urgent need of laborers. To meet the demands of expanding agriculture and growing manufacturing industries, various systems of labor were adopted. Coming to the colonies without sufficient capital or initiative to undertake their own enterprises, many immigrants hired themselves out as free laborers. As a rule, however, these newcomers soon availed themselves of the economic opportunities offered by free land. Consequently there was a constant shift of hired workers into the class of landed proprietors.

FREE LABORERS. From the earliest period free laborers were found in practically all the colonies, but they were so scarce in the newer communities that labor co-operation and impressment were sometimes

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adopted. When a house was to be built or a barn constructed, the neighbors gathered to complete the task, combining work with a social time. Scarcity of labor and the failure of co-operation led at times to impressment of labor in New England, where legislation occasionally gave constables the power to compel artificers and mechanics to leave their crafts and work in the harvest fields of their neighbors.

In the trades the colonies adopted the gradation of workers that prevailed in England. There were apprentices, journeymen, and master craftsmen. The Statute of Apprentices (1563), which required an apprenticeship of seven years, became the model for colonial practice. During the period of his service the youthful worker received his room and board free and sometimes a little spending money. Apprenticeship was undoubtedly looked upon as a means of obtaining a steady supply of labor. Not infrequently the system was abused; journeymen complained that master craftsmen kept an excessive number of learners. On the whole the system was beneficial to colonial industries.

INDENTURED SERVANTS. Economic necessity, created by the scarcity of labor, caused the colonists to interpret very liberally the fundamental rights of man about which they were wont to philosophize. To meet the increasing demands for labor, slavery was introduced at an early date in the southern colonies, where the conditions of soil and climate and methods of agriculture made slave labor profitable. Laborers in the North were of two classes—free and nonfree. As we have seen, there were relatively few of the former.

The nonfree laborers were of two classes—indentured servants and slaves. Of indentured servants there were also two classes—those whose service was voluntary and those who performed involuntary service. Voluntary servitude had its foundation in a free contract (indenture) with some individual or company that stipulated service for a period of years in payment for the servant's transportation to America. In general, servants who emigrated prior to 1650 were bound for a period of seven to ten years or longer, but the term of service was shortened later to four years. These were free persons who came from the British Isles and Germany to improve their condition of life and to seek economic independence in the New World. Not only farmers and me-

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chanics but even professional men, such as school teachers, came over as indentured servants. Many sold themselves to emigration brokers, planters' agents, or shipowners, the sale taking place at the wharf. The following interesting advertisement, which appeared in the *Baltimore American* from March 21 to April 7, 1817, indicates the manner in which these immigrants were disposed of:

GERMAN REDEMPTIONERS

The Dutch ship "Johanna," Capt. H. H. Bleeker, has arrived before this city and now lies in the cove of Wiegman's wharf; there are on board desirous of binding themselves for their passage the following single men: two capital blacksmiths, a rope maker, a carrier, a smart apothecary, a tailor, a good man cook, several young men as waiters, etc. Among those with families are gardeners, weavers, a stone mason, a miller, a baker, a sugar baker, farmers and other professions.¹

The voluntary servant was ordinarily entitled to two weeks to find a purchaser, but, as he was not permitted to leave the ship, this right was of little importance. In the absence of a ready sale at the wharf, the immigrants were often chained together and led through the towns and villages where they were offered for sale.²

The second class of indentured servants, those who performed involuntary service, consisted chiefly of kidnapped persons and convicts. As the raising of tobacco and rice and some other staple crops became profitable and the demand for workers became so great that it was impossible to keep the laborers on a low wage scale, a regular trade in kidnapping persons for colonial servitude sprang up in England. Children and adults were enticed or forced into vessels in the harbor and sold to shipowners or merchants about to depart for the colonies. Under this practice frauds became so common that in 1671 an order was passed in England to put an end to the traffic. Henceforth the names and ages of those persons desiring to emigrate to America were to be

1. L. P. Henninghausen, *History of the German Society of Maryland* (Baltimore, The Sun Job Printing Press, 1909), p. 59. Reproduced by permission of the author and publisher.

2. A. M. Simons, *Social Forces in American History* (New York, Macmillan, 1913), p. 19.

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registered. Attempts to remedy the evil of "spiriting away" servants were unsuccessful. A decade after the enactment of this measure it was estimated that each year not less than ten thousand persons were kidnapped from England.³ Perhaps this can be explained partly by the fact that the forced emigration of these friendless individuals reduced the cost of public charity in England and so lessened taxes.

In England during the seventeenth and eighteenth centuries somewhat over three hundred crimes were punishable by death. With the courts and prisons crowded with paupers, vagrants, debtors, and petty criminals, it seemed expedient, humane, and desirable to ship such persons to the colonies. By royal decree or judicial decision England was thus rid of a public burden and America received a much-needed, though not always desirable, labor supply. Such banishment was pronounced in lieu of more drastic punishment, fourteen years of servitude being deemed an adequate substitute for the death penalty and seven years for whipping or branding. Indebtedness and rebellion were the usual criminal offenses leading to such sentences. If these prisoners were able to pay their own passage they were free to do as they pleased; otherwise, and this was usually the case, they were sold for a stipulated period of time ranging ordinarily from seven to ten years.

Indentured servants were not without some measure of protection, although this was usually more apparent than real. They were furnished food, shelter, clothing, and medical attention, and were entitled to own property. At the end of their period of service they were usually given equipment to start out for themselves, and in some cases fifty acres of land. Despite efforts to protect them from cruel taskmasters, their status was far from an enviable one. Potentially free men, they held a position during servitude not unlike that of the slave. Some were whipped, pitifully abused, and compelled to serve double time if they ran away and were recaptured. Because labor was expensive and scarce, many masters had sufficiently good judgment to treat their indentured servants with consideration, but the desire to exact the greatest amount of labor power during servitude often resulted in severe ex-

3. E. L. Bogart, *Economic History of the United States* (New York, Longmans, Green, 1915), p. 60.

ploitation. "In many cases the lot of the slave was superior to that of the indentured servant, for the loss to the owner of an able-bodied slave was greater, and hence conducive to better treatment."⁴

It has been estimated that about one-half of all the immigrants of the colonial period (1607-1781) landed as indentured servants. This system of servile labor was as old as the colonies and was doubtless a by-product of the old apprenticeship system. Because of the abundance of free land these servants were able eventually to obtain economic independence, and many of them became the founders of distinguished American families. They thus formed a very important element in our early population. The capture and enslavement of African Negroes gradually displaced most of the white servitude in the South, but the system of indentured service continued well into the nineteenth century, disappearing only when voluntary migration provided an adequate supply of labor to meet the needs of the youthful nation. Economically, indentured service yielded many benefits to the colonies; morally, little can be said in its favor.

THE SYSTEM OF SLAVE LABOR. The first Negro slaves landed in America were some twenty unfortunate individuals who were sold at Jamestown by a Dutch trading vessel in 1619. Because slavery was unpopular, its growth was slow despite the scarcity of labor. For half a century slaves constituted only a small fraction of the total population, although some were to be found in all the colonies. As late as 1681 Virginia had only 2,000 slaves, in comparison with three times that number of indentured servants. Growth thereafter was rapid and by 1760 the total number, scattered throughout all the colonies, was about 400,000, of whom about three-fourths were south of the Mason and Dixon line. Thirty years later the number had not quite doubled, but by 1830 it was slightly more than 2 million and in 1860, as the war for emancipation dawned, the number had increased to nearly 4 million. In the early years the slave trade was largely a monopoly of the Royal African Company of England, but following 1688, when the traffic was thrown open, many New England merchants engaged in the trade.

4. H. U. Faulkner, *American Economic History*, p. 73.

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Economic necessity made slavery an accepted system of labor, and antagonism to this traffic in human beings disappeared as the profitableness of the business became apparent. Regrettable as it may be, humanism and idealism are frequently sacrificed upon the altar of economic gain and expediency. America has not been free from this stigma. During the eighteenth century the famous three-cornered trade was developed, in which molasses brought from the West Indies to New England was manufactured into rum and shipped to Africa where it was exchanged for slaves who in turn were transported to the West Indies or to the southern colonies of North America.

The voyage between Africa and the West Indies reveals slavery in its most tragic aspect and uncovers the most inhuman temperament of the slave dealers. "Crowded in the smallest possible space and chained to the ships, the negroes suffered untold agonies during the slow weeks of the Atlantic passage; if they fell sick, they were thrown overboard, lest they contaminate their fellows."⁵ But, "our ancestors were hardened to suffering and had few compunctions about slavery," so long as it was economically necessary and advantageous.

The extensive application of slave labor, first to the production of tobacco and rice and later to cotton, discouraged manual work by white persons and thus diminished the supply of labor that might have come from this source. Toward the time of the Revolution, lands suitable for tobacco plantations were wearing out, and as a result slavery had fallen into disfavor. But a few years later, with the invention of the cotton gin, the slave trade was restored to its position of respectability. As cotton culture spread, the demand for slaves increased and, despite prohibitory statutes in the several states, an illicit trade developed. In December, 1803, the state of South Carolina, influenced by the profitableness of the traffic, gave legal sanction to the slave trade, and Charleston became the premier market for slaves in the United States. During the forty years preceding the Civil War slaves were used mainly for the cultivation of cotton, and there was a gradual increase in their selling price. When the act of Congress prohibiting importation of slaves became effective in 1808, their price began to advance. Prior to

5. *Ibid.*, p. 75.

the invention of the cotton gin a good Negro slave sold for about \$300, but his market value soon advanced to approximately \$800 in 1830, \$1,200 in 1850, and \$1,400 to \$2,000 in 1860.⁶

It is not possible to generalize concerning the treatment of the slave under the American slave system. Not more than 5 per cent of the southern people held slaves, and those who did accorded them varied treatment. Some owners bred slaves for the market and sold them to the cotton states. In the years following 1840 not less than 25,000 were marketed annually in this way. In many instances slaves continued to be whipped, hunted by bloodhounds, and kept in irons. In all probability, the treatment of these unfortunate human beings was less harsh than is commonly supposed, partly because of humanitarian motives and partly because the conservation of the slave, who represented a capital investment, was good business.⁷

With the successful termination of the Civil War the freedom of the slaves was established, and slavery was prohibited in the United States by the adoption of the thirteenth amendment to the Federal Constitution. Under slavery the slave had been the property of his master; henceforth he was endowed with the rights and privileges of a free person. But this status has been more theoretical than real. Often he has been reduced to a state of peonage, and he still suffers disfranchisement, exploitation by employers, and discrimination on the part of white wage earners. In spite of these handicaps he is finding an increasingly large place in the agricultural and industrial life of the nation.

THE IMPORTANCE OF FREE LAND. An abundance of free land has been a factor of major importance in the creation of American democracy, the guiding spirit of which has been predominantly individualistic. In America, as in Europe, individualism has often meant unrestrained liberty that frequently has degenerated into unbounded license. But in this country *laissez faire* has from the beginning been greatly tempered by the necessity for governmental assistance to industry. It is largely true, nevertheless, that the youthful nation of the New World has

6. *Ibid.*, p. 22.

7. W. W. Jennings, *Introduction to American Economic History*, p. 244.

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tended to be impatient with the social control of economic life that is the indispensable requisite of justice in a complex social organization. The influence of the free frontier upon the traits of the American people has been aptly summarized by Professor Turner:⁸

From the conditions of the frontier life came intellectual traits of profound importance. . . . That coarseness and strength combined with acuteness and inquisitiveness; that practical, inventive turn of mind, quick to find expedients; that masterful grasp of material things, lacking in the artistic but powerful to effect great ends; that restless, nervous energy; that dominant individualism, working for good or evil, and withal that buoyance and exuberance which comes with freedom—these are traits of the frontier, or traits called out elsewhere because of the existence of the frontier.

Free land not only bred a tenacious individualism but also had considerable influence upon American industry and labor. Unlike employers in the manufacturing industries of England, early American industrialists were constantly confronted with a shortage of labor. In the United States the free lands of the West were always attracting settlers from the older states, with the result that serious competition developed between the industrial East and the agricultural West. As long as the industrial wage earner had the alternative of becoming a pioneer farmer and had sense and ambition enough to grasp the opportunity, the rate of wages in the East was bound to be influenced by the rate of earnings in the West. Only by keeping wages high enough to balance earnings in the West could migrations to the West be discouraged and labor be stabilized. Thus, in comparison with wages in Europe, the earnings of mechanics and laborers in the United States were high during the early period of our national existence. "Men would not accept inferior wages and a permanent position of social subordination when this promised land of freedom and equality was theirs for the taking."⁹

It is quite easy, however, to exaggerate the influence of free land upon wages and conditions of employment. The so-called "safety-

8. Frederick J. Turner, *The Frontier in American History*, p. 37. Reproduced by permission of the publisher (New York, Henry Holt and Company).

9. *Ibid.*, p. 259.

valve" theory of the westward movement has been seriously questioned by certain students of labor relations.¹⁰ Undoubtedly the presence of a free frontier prevented wages from dropping to the extraordinarily undesirable levels to which they would have dropped in the absence of access to free land. Yet, as we shall see later, standards of earnings and conditions in the manufacturing East were not such as to justify excessive eulogy. Perhaps the constant influx of aliens, the presence of indentured servants and slaves during the colonial period, and the unwillingness or inability of free wage earners to migrate to the frontier were counteracting influences. Whatever influence free land may have had as a regulator of wages was destined to disappear eventually as its settlement was completed.

THE EMERGENCE OF THE FACTORY SYSTEM. The termination of the struggle against England in the Revolutionary War brought the revolting colonies political independence and self-determination, but economic independence, an objective no less important, was some distance away. Severe competition with foreign commodities, the uncertainty of markets, and certain limiting factors within the country itself greatly retarded the development of manufacturing. Yet manufacturing industries were indispensable to national progress.

Upon the establishment of peace, cheap commodities from Great Britain flooded the American market, with disastrous effect upon our infant industries. Despite two hundred years of settlement, moreover, the supply of unoccupied land was still abundant. The dependent existence of the industrial wage earner could not compare with the alluring profits of agriculture, the promise of rising land values, and the independent life of the rural community. Agriculture was still the most natural and accessible industry, and many who otherwise might have gone to work in our factories heeded the call of the frontier. Capital that was not invested in agriculture was attracted largely to shipping. The necessity for more expeditious distribution of agricultural products directed attention to canals, rivers, railroads, and ocean

10. See Carter Goodrich and Sol Davison, "The Wage-Earner in the Westward Movement," *Political Science Quarterly*, vol. 50, June, 1935, pp. 161-85, and vol. 51, March, 1936, pp. 61-116.

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ships. America's merchant marine was ploughing all the seas as a carrier of trade.

In view of these conditions, it was difficult for infant manufacturing industries to claim attention. Nevertheless, it was inevitable that such attention should be obtained, for the forces of economic life were moving irresistibly toward the creation of the factory system in America. Numerous factors conspired to this end. During the Revolution and the years of interrupted commerce resulting from the Embargo Act (1807) and the Non-Intercourse Act (1809), imports from Europe were partially shut off. Thrown upon its own resources, the new nation applied itself intensively to the development of industries that would produce goods hitherto imported. Eager to establish economic self-sufficiency, the government encouraged the infant industries by bounties and protective tariffs. Supplementing these causes of development was the resourcefulness of an enterprising people working with an intensity and persistence that made success inevitable.

Experimentation was quite general during the closing decades of the eighteenth century. Beginning with 1787, factories in which the spinning jenny was used were established in Philadelphia and New York, Beverly, Massachusetts, and elsewhere in New England. These were America's first cotton factories. The development of American manufactures was rather insignificant until 1789, when the establishment of a centralized government made possible the protection of infant industries. In that year, at Pawtucket, Rhode Island, Samuel Slater, who had served an apprenticeship in one of Arkwright's factories at Belper, England, and had been induced to come to America by the bounties offered for improved machinery, equipped a factory with complete cotton-making machinery. The details of this machinery he had carried in his memory from England. Thus, at Pawtucket, in 1790, there was spun the first machine-made cotton warp in America, an event that marks the beginning of the factory system in this country. The first mills were run by hand or horse power, but water power was used almost exclusively later.

Once the practicability of machines was demonstrated, American inventors eagerly set to work to adapt European methods to conditions

in this country. In the process of adaptation, numerous improvements were discovered, and there was inaugurated a machine civilization unsurpassed in any other land. There can be no doubt that the prevailing scarcity of labor was a factor in the rapidity of mechanization. Eli Whitney's famous cotton gin, which made possible expeditious separation of seeds from the fiber, paved the way for extraordinary advancement. The absence of such a machine had held back the industry, but the problem was solved when Whitney, who had gone south to teach school immediately upon his graduation from Yale, conceived the new mechanical device. In a letter to his father, written in 1793, he set forth the merits of his invention as follows: "This machine may be turned by water or with a horse, with greatest ease, and one man and a horse will do more than fifty men with the old machine. It makes the labor fifty times less, without throwing any class of people out of business."¹¹ Operated by hand, the machine would clean fifty pounds of cotton a day; by water, a thousand. The demand for cotton and for the new technical device was so great that the machines were often stolen and Whitney's patents were infringed.

Improvements in the technique of textile manufacture and in other lines of industry came in rapid succession. In 1814 Francis Lowell put into operation at Waltham, Massachusetts, America's first power loom for weaving. Here for the first time the processes of spinning and weaving were brought together in the same factory. The first half of the nineteenth century witnessed the introduction of the high pressure engine, the application of steam to water transportation, the coming of the steam engine on railroads, the discovery of the Bessemer method of decarbonizing molten metal, and the invention of the sewing machine, equally adaptable to home and factory use, which revolutionized the clothing and the shoe industries. In this remarkable age of machine domination, invention has continued its revolutionary course, scrapping old methods for new and displacing the skilled craftsman in favor of the semiskilled and the unskilled. Each passing year has witnessed new conquests by resourceful inventors and the aggressive invasion of

11. Correspondence of Eli Whitney, *American Historical Review*, vol. iii, October, 1897, p. 101.

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new territory by machine processes. Here, as in England, machine industry brought new conditions and new problems for the laboring population.

CONDITIONS OF LABOR IN THE NEW NATION. During the nascent period of American industrial life (1790-1860) skilled workmen were able to command a fairly decent wage and to maintain a respectable standard of living. Their wages ranged from one to two dollars a day and not infrequently went to higher levels. Urban rents were relatively high, it is true, but food was cheap and clothing reasonable. Wages ranged from two to six times the cost of living, and it was possible for a mechanic even as late as 1832 to save enough money in four to six months to purchase an eighty-acre farm.¹²

The condition of the unskilled workman was less favorable. Although even his wage was much higher than could be obtained in Europe, his pay was about one-half that of the skilled craftsman, and he was barely able to provide the necessities of life for his family. At the time of the American Revolution his day's pay amounted to about 50 cents. This was increased to 90 cents in 1800 and \$1.00 in 1825, remaining around that point for many years despite great industrial activity. Perhaps it was his own indifference that accounted for the acceptance of an unfavorable wage scale in the presence of an abundance of cheap land. Concerning this matter an American economic historian has remarked: "Although many people at the beginning of the nineteenth century were working for fifty cents a day or less, this was not always necessary, for land, 1800-1820, could be bought for two dollars an acre, with one-fourth down and the balance in three annual installments."¹³

As late as 1859 employees in manufacturing industries received only about \$24 a month, and industries that employed large numbers of women and children were much less generous. In Massachusetts, where wages were highest, between 1830 and 1860 men earned \$5.00 a week, children between \$1.00 and \$2.00 a week, and women from \$1.75 to

12. Malcolm Keir, *Manufacturing Industries in America* (New York, Ronald Press, 1920), p. 32.

13. Jennings, *op. cit.*, p. 255.

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\$2.00, the latter including board. Wages were lower in Pennsylvania and in the South.

During this same period the wages of farm hands varied with the season and the locality. Wages, with board, ranged from \$7.00 to \$15.00 a month, with the general average tending to somewhat higher levels as time went on. Without board, the wages of farm hands rose from 50 cents a day at the opening of the century to \$1.00 a day in 1860.

Strange as it may seem in view of these apparently low standards of income, real wages were sufficiently high in most parts of the country to preclude the spread of poverty. The absence of poverty was so conspicuous as to provoke comment by foreign travelers, who perhaps did not always see the complete picture. Life in early nineteenth-century America was simple and the cost of living comparatively low, for most of the food was home-grown, and other requirements, such as clothing, were not usually elaborate and pretentious. In Lowell in 1854 young women paid only \$6.00 a month for board and lodging, while their earnings were \$3.50 a week. If the specter of poverty did not stalk over this country as ruthlessly as it did over Europe and Asia, perhaps it was due to the fact that when conditions in city industries became intolerable, escape to the frontier was always possible. One must not forget, however, that the recurrence of industrial depressions and financial panics repeatedly brought suffering to the wage earners.

It is necessary also to call attention to the fact that while wages may have been adequate in relation to the cost of living, remuneration appears far less satisfactory when measured in terms of the length of the working day. The general belief that manufactures were subsidiary to agriculture resulted in the application of agricultural labor standards to factories. In agriculture the hours of labor were from sun-up to sun-down. Accordingly this was accepted as an appropriate working shift for manufacturing industries. Lowell, the model factory town of early America, employed girls of not over ten years of age for a working period of fourteen to fifteen hours a day. Working hours for all the girls extended from five o'clock in the morning until seven in the evening, with a half hour for breakfast and dinner. Occasionally

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the working day began at four o'clock in the morning and was lengthened to eight, nine, and ten o'clock in the evening. Often these early mills were unsanitary and unhealthful.

In spite of many adverse conditions, the introduction of the factory system in America was not accompanied by the horror and misery that followed in the wake of the Industrial Revolution in England. In America most of the cloth had either been purchased from Europe or was made by women on the farms as a part of the regular household duties. The factory system, therefore, threw comparatively few men out of employment. In a certain measure, although perhaps to a much less extent than is commonly supposed, the alluring freedom of frontier life with its economic opportunity not only mitigated the evils of occupational displacement but also had some influence upon standards of employment in manufacturing industries. And yet in America, as in England, the increase of wealth resulting from invention and machine processes went largely into the pockets of the capitalist-employer class.

THE EXPANSION OF INDUSTRY AND COMMERCE. The close of the Civil War marked the beginning of a period of industrial and commercial expansion that was destined to make the United States the greatest of the capitalistic nations. The developments in its national economy during the past seventy-five years have been phenomenal, constituting the most significant triumph of the Industrial Revolution. In a relatively short time the nation was to experience the passing of free land and the frontier, the creation of national and international commodity markets, increasing urbanization and the rise of great cities, development of large-scale industry, integration in business and industrial organization, concentration in the control of capital, and unprecedented exploitation of natural resources. In this drama of industrialization and economic expansion, revolutionary changes in the means of transportation and communication have played a major role. All these changes have had far-reaching effects on the life of the American wage earner.

To appreciate fully the extraordinary economic development in this period, we must remember that the United States was still predominantly agricultural in 1860, and that as late as 1880 more than 44 per cent of the gainfully employed were engaged in farming. The out-

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standing characteristic of the nation's economic development since the Civil War has been the growth of manufacturing. The factory system, although stimulated during the War of 1812, developed rather slowly for several decades. The Civil War gave impetus to a growth which has continued ever since. Almost up to the beginning of the conflict between the North and the South, manufactured goods were produced in small shops and households and were made principally by the labor of the family or by the individual enterprisers. The Civil War accelerated the expansion of the factory system, and by 1890 factory-made goods were universally used, their value greatly exceeding the value of farm products. While population and the value of farm products increased some 30 per cent between 1850 and 1890, the value of manufactured goods increased 1,100 per cent.

The dawn of the twentieth century witnessed the advance of the United States into the front rank of industrialized nations. The value of her goods soon gave her first place among the manufacturing countries of the world, her output being twice that of England and half as much as all Europe. At the outbreak of the World War the value of this nation's manufactured goods was eighteen times greater than in 1859, and in 1919 it was thirty-three times greater. The period of prosperity which ended with the collapse of the so-called "New Era" in 1929 sent the total to the unprecedented figure of approximately \$70,000,000,000. An examination of the data in Table 1 will show the remarkable growth of manufacturing industries since 1849. Allowance must be made, of course, for the inflation of prices during the European conflict and the influence of the Great Depression which began in 1930.

The foreign trade of the United States, reflecting the increase in the nation's productive capacity, has shown a rather steady growth throughout the country's history, except for brief periods when conditions were disturbed by domestic and foreign wars and the general economic breakdown resulting from them. The increase in this nation's exports in the period 1860-1920 was 2,463 per cent, while imports during the same period increased 1,491 per cent. Total merchandise exports and imports increased 1,966 per cent during the period. Table 2 shows the

Development of Industrialism in the United States

TABLE I

THE GROWTH OF AMERICAN MANUFACTURES, 1849-1937

Year	Number of Establishments	Average Number of Wage Earners	Wages	Value of Products
1849	123,025	967,059	\$ 236,755,000	\$ 1,019,106,000
1859	140,433	1,311,246	378,878,000	1,885,861,000
1869	252,148	2,053,996	620,467,000	3,385,860,000
1879	253,852	2,732,595	947,954,000	5,369,579,000
1889	355,405	4,251,535	1,891,220,000	9,372,378,000
1899	512,191	5,306,143	2,320,938,000	13,000,149,000
1909	268,491	6,615,046	3,427,038,000	20,672,051,000
1919	214,383	9,000,059	10,461,787,000	62,041,795,000
1929	210,959	8,838,743	11,620,973,000	70,434,863,000
1937	166,794	8,569,231	10,112,882,000	60,712,871,000

SOURCE: *Statistical Abstract of the United States* (Bureau of Foreign and Domestic Commerce, 1937), p. 738. Data for 1937 are from U.S. Department of Commerce, Bureau of the Census, *Biennial Census of Manufactures, 1937*, Pt. I, p. 18.

development of this country's foreign trade since 1860. Here again one must make allowance for the inflation of values caused by the World War and recognize the extraordinary dislocation of commerce in recent years because of general economic maladjustment.

TABLE 2

AMERICAN EXPORTS AND IMPORTS, 1860-1939

Year	Exports	Imports
1860	\$ 333,576,000	\$ 353,616,000
1880	835,639,000	667,955,000
1900	1,934,483,000	849,942,000
1920	8,228,016,000	5,278,482,000
1930	3,843,181,000	3,060,908,000
1939	3,177,344,000	2,318,258,000

SOURCE: *Statistical Abstract of the United States* (1937), p. 433. Figures for 1939 are from statement 1702 entitled "United States Foreign Trade, 1939," issued by the Bureau of Foreign and Domestic Commerce.

Acting as both a cause and an effect of this industrial and commercial expansion have been the developments in transportation and communication. In the period between 1860 and 1920 there was constructed a network of railroads that spread throughout the country. In 1860 there were 30,000 miles of track; by 1870 the total had increased to

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53,000. Overexpansion, involving the extension of lines into areas which could not at the time support them, was a factor in the panics of 1873 and 1893. The temporary halting of construction incident to these economic crises was followed by rapid extension of roads. By 1900 the total mileage had increased to 199,000, and by 1920, to 253,000. At the end of this remarkable period of expansion the United States could claim more mileage than Europe and one-third that of the entire world. A great new industry had thus come into existence, employing 1,700,000 persons, representing one-tenth of the national wealth, and making possible the rapid economic growth of the entire country. Similarly spectacular has been the development of the automotive industry, the construction of highways, and the increase in telephone, telegraph, and radio facilities.

THE GROWTH AND INTEGRATION OF LARGE-SCALE PRODUCTION. Recent decades of American economic history have manifested a conspicuous tendency toward large-scale production, which has been closely associated with important changes in the organization, ownership and control of industry and business. Because the corporate form of business organization very early demonstrated its superiority as an economic unit, it has superseded the individual enterprise and the partnership in many fields of industrial and commercial activity. It is not an accident that corporations are responsible for fully 92 per cent of the transportation and public utility business, about 92 per cent of manufacturing, and not less than 96 per cent of the mining and quarrying. If governmental enterprises are excluded, 62 per cent of all economic activity is in the hands of corporations.¹⁴ Agriculture is, of course, still largely a small-scale industry, with only 7 per cent of the production being accounted for by corporations. In the distribution of agricultural products, however, the corporation is the principal factor. The percentages of economic activity that are accounted for by corporations in the several industries are as follows:¹⁵

14. Twentieth Century Fund, Inc., *Big Business, Its Growth and Its Place*, p. 1.

15. Dr. Willard L. Thorp, Hearings before the Temporary National Economic Committee, Congress of the United States, Seventy-Fifth Congress, Third Session, "Investigation of Concentration of Economic Power," December 1, 2, 3, 1938, part i, *Economic Prologue*, p. 108.

Development of Industrialism in the United States

	Per Cent
Transportation and other public utilities	92
Finance	84
Manufacturing	92
Mining and quarrying	96
Trade	58
Service	30
Agriculture	36

On December 2, 1938, Dr. Willard L. Thorp, economist for the United States Department of Commerce, told a Congressional committee investigating monopolies that, while America's industrial structure is dominated numerically by small business, fewer than 6 per cent of all corporations control 86 per cent of the nation's corporate wealth. Two-tenths of 1 per cent of all corporations have about 52 per cent of corporate assets.¹⁶ Especially significant for our purposes is the fact that one-half of the employees are in enterprises where there are 250 or more workers. Nine-tenths of 1 per cent of the employers employ 50 per cent of the workers, and 50 per cent of the employers employ only 4 per cent of the workers.¹⁷

Although the growth of corporate organization, indicating the development of extraordinary economic strength, is in itself an important fact in any consideration of the problems of labor relations, an even more important fact is the marked tendency toward integration and concentration of ownership and control. Statistical studies indicated that in 1930 about 1 per cent of the banks directly controlled more than 46 per cent of the total banking resources of the country. At the same time, the 200 largest nonfinancial corporations, 0.07 per cent, controlled nearly one-half of all corporate wealth, about 38 per cent of all business wealth, and 22 per cent of the national wealth.¹⁸ Moreover, these 200 corporations, each with an income of over \$5,000,000 a year, received 43.2 per cent of the income of all nonbanking corporations and were controlled by approximately two thousand individuals.¹⁹ The true signifi-

16. *Ibid.*, pp. 102, 103.

17. *Ibid.*, p. 101.

18. A. A. Berle, Jr., and G. C. Means, *The Modern Corporation and Private Property*, p. 32.

19. *Ibid.*, pp. 29, 33.

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cance of this concentration is found in the centralization of power in the hands of a comparatively few men who can determine corporate policies, including those that govern labor relations. Concentration of control is now recognized as a serious social problem, since in this way there is created an economic dictatorship.

Integration of the industrial and business structure and centralization of control have been effected through numerous devices, such as interlocking directorates, investment trusts, trade associations, banking affiliations, and the holding company. Giant corporations have made their greatest advance in such industries as cigarette and automobile manufacture, public utilities, banking, and insurance. In agriculture, it will be remembered, "big business" does not exist to an appreciable extent, although it may invade even this field of economic activity if banks and insurance companies continue to increase their land holdings through mortgage foreclosures.

The holding company has been the most important agency through which centralization of economic power has been developed. The ordinary corporation is organized for the purpose of producing or selling a commodity or service. The holding company, on the other hand, is formed for the express purpose of securing control of policies and men. The acquisition of voting securities is greatly facilitated through the holding company, thus bringing the control of a number of different corporations in the same industry under one general management. The favorite, and generally regarded as the most important, legal device for maintaining control of a corporation without ownership of a majority of its stock is "pyramiding," which involves the owning of a majority of the stock of one corporation that in turn holds the majority of the stock of another. By a repetition of this procedure a number of times, the concentration of control of operating policies is assured. A relatively small percentage of voting stock is needed in order to obtain control, and it is possible to greatly accelerate the growth of such control through the issuance of bonds and nonvoting stock. Pyramiding is realized by the purchase of corporate shares for cash or the stock or bonds of the holding company; by direct creation of subsidiary units to build and operate new plants;

Development of Industrialism in the United States

or by subsequent acquisition of individual companies through an exchange of securities. Centralized control is thus assured with a minimum of investment, and the raising of new capital from investors is facilitated.²⁰ Notable examples of holding companies are the American Telephone and Telegraph Company, the General Motors Corporation, and the United States Steel Corporation.²¹ All of these companies have exercised considerable influence over American labor policies and relations.²²

WHY THE WAGE EARNER IS CONCERNED. Of what significance to the working class is this phenomenal economic expansion and the growth of combination and concentration in the industrial, commercial, and financial life of the nation? How do such developments affect the worker's immediate and ultimate interests and well-being? Does it matter to laborers whether the form of business organization is a single enterprise, a partnership, or a corporation? Can such devices as interlocking directorates and integrated financial control in any way affect their status?

No other class is so vitally affected by such economic changes and tendencies. The worker's opportunity to earn a living is obviously dependent upon the success and steady growth of industry and commerce, and these in turn are dependent upon the efficient and smooth operation of money and credit facilities. Agriculture no longer furnishes employment for the whole population; the majority of our people are completely divorced from the land as a source of work and income. Whatever superior status the American wage earner has enjoyed over his European and Asiatic fellows can be attributed largely to the successful exploitation of a natural environment abounding in sources of wealth, the more effective organization and direction of industry, and the discovery of new markets. When markets are available and industry is capable of meeting the demand, labor can be employed at good wages; when the converse is true, unemployment and loss of

20. *Ibid.*, pp. 72-3.

21. Charles S. Tippetts and Shaw Livermore, *Business Organization and Control*, pp. 211-16.

22. H. H. Laidler, *Concentration in American Industry*, Ch. xxiii.

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income, with a consequent lowering of the standard of living, are the inevitable results. No other period of this nation's history has demonstrated this fact so conclusively or so tragically as has the period of the Great Depression which began in 1930 and from which the nation has not yet recovered.

The increasing tendency toward integration, consolidation, and combination that has characterized capitalistic organization in recent decades has had a marked influence upon the wage-earning class. There has been, first, a conspicuous loss of intimacy in employment relations as the structure of industry and business has become larger and more complex. This has often resulted in the growth of misunderstanding, a widening of the breach between employers and employees, and increasing emphasis upon conflicting rather than harmonious interests. Industrial strife thus tends to be accentuated and social unrest enhanced. Second, the dominance of the great corporation has meant increasing power. Unionization was imperative in order to safeguard the workers' interests and assure the attainment of legitimate and equitable standards of wages, hours, and physical conditions of employment. American experience is replete with convincing evidence of the powerful influence that corporations may exercise over legislatures and public opinion, thus making possible the defeat of progressive legislation designed to safeguard the welfare of the laboring population. The influence of concentrated corporate wealth upon the press is obvious to anyone familiar with the relation that exists between large advertising accounts and the editorial and publicity policy of newspapers. This is an important relation in times of strikes and lockouts, as it is also in times of industrial peace.

Finally, the increasing size and complexity of the business unit has tended to encourage the growth of paternalism, which is not always so benevolent as it may seem, and to deny the extension of democratic control of industry. Effective unionism—that is, labor organizations capable of compelling acceptance of their demands—is usually anathema to large American corporations. The general effect of centralized industrial control upon trade unionism and labor policies, which becomes increasingly widespread with the growth of holding companies,

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was emphasized by the United States Commission on Industrial Relations in 1916: "Almost without exception the employees of the large corporations are unorganized as a result of the active and aggressive nonunion policy of the corporation managements. Furthermore, the labor policy of the large corporations almost invariably determines the labor policy of the entire industry."²³ Because of the protection of the right of organization and collective bargaining which recent federal legislation has assured, this situation is not quite so generally true as it was at the time the Commission made its report.

REASONS FOR RAPID INDUSTRIALIZATION. The rapid advance of industrialization in the United States has been the inevitable consequence of a combination of factors. Basically, the advance is attributable to the existence here of an abundance of raw materials and power resources. Also of primary importance has been the growth of the laboring population, partly by the natural means of increase of births over deaths and partly by the extraordinary influx of aliens. The development of facilities for transportation and communication has been a major factor in economic growth. Technological improvements, greatly stimulated by the relative scarcity of labor and the presence of inventive genius, have played a principal role in industrialization here as in every other capitalistic country. A constantly expanding commodity market at home and the opening up of markets abroad have contributed greatly to the early maturity of American industrialism. Protective tariffs, which constitute a radical departure from the policy of economic non-intervention, to which our business men invariably give generous lip service, have acted as a stimulating subsidy to manufacturing. To these and other important conditions that have affected industry and industrial relations we shall return in our later discussions.

INDIVIDUALISM AND *LAISSEZ FAIRE* IN AMERICA. In America, as in England and other countries, modern capitalism has woven its own philosophy concerning the proper and legitimate functions of the state in relation to industry and business. But economic circumstances are likely to preclude the logical application of the fundamental tenets of liberty and equality. Without interruption, from 1789 to the present,

23. *Final Report*, 1916, p. 80.

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the government of the United States has fostered manufacturing industries by means of bounties, tariffs, patents, and other special privileges. This is, of course, a contravention of the fundamental principle of *laissez faire*, which frowns upon governmental interference with private enterprise. The coexistence of protectionism and individualism has created the anomalous situation in which extreme individualists, who bitterly oppose all forms of progressive legislation designed to safeguard the laboring classes, are enthusiastic supporters of high protective tariffs and other forms of aid to industries. The significance of this seeming inconsistency will become apparent as we survey the problems of industrial relations and the approaches to a solution.

Fundamentally, America is individualistic in its industrial and political philosophy, but, as the nation has matured and its economic organization has become more complex, the doctrine has been greatly modified under the impact of economic and political liberalism seeking the extension of governmental control and of Marxian socialism desiring complete economic and political reorganization. A broader concept of the duties and functions of the state has developed, largely as a result of the increasing integration of the business structure that has brought with it such institutions as the trust, the holding-company, and the open-price association, all of which are suspected of promoting monopolistic tendencies. The Interstate Commerce Act, 1887, the Sherman Anti-Trust Act, 1890, the Clayton Anti-Trust Act, 1914, and the veritable flood of regulatory legislation that has been released by the "New Deal" indicate increasing centralization of power in the hands of the federal government to prevent restraints of trade and control economic relations. Faith in the efficacy of economic laws as dispensers of justice has been greatly weakened. A maximum of liberty for industry and business and a minimum of regulation are still desired, but regulation and its natural concomitant—governmental bureaucracy—are obviously on the increase.

The old doctrine of noninterference has made its most gallant stand in the field of industrial relations where, with its cherished defenses of "freedom of contract," "industrial liberty," "class legislation," and "due process of law," it has resisted and impeded the progress of pro-

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gressive labor legislation. Even here, however, liberalism and humanitarianism are obtaining an increasing number of such regulatory measures as workmen's compensation, the legal minimum wage, child labor laws, and laws limiting the hours of employment and prescribing the physical conditions of work. Labor legislation has made unprecedented progress during recent years. Collectivism has made little headway in America, but the nation seems to be definitely committed to a program of protection for the working classes. From the closing decades of the eighteenth century, moreover, labor organizations have opposed individualistic control of industry and demanded improved standards of wages, hours and conditions.

In America, then, as in Europe, the Industrial Revolution and modern industrialism, which issued from it, have created new conditions and new problems, and from these have emerged new forces and new philosophies. Before we analyze the problems of labor relations and the solutions that have been proposed and attempted, it is necessary for us to examine certain fundamental factors that influence both the problems and the solutions.

Questions for Class Discussion

1. Do you think that the development of civilization in America provides any evidence of an instinctive desire for freedom?
2. Did the scarcity of labor in the early history of the American colonies have any influence on the general conception of work and the dignity of workers?
3. Were any of the labor practices of early American communities a contravention of the principle of human freedom?
4. What were the essential characteristics of indentured service, and how may the rise of this system of labor be explained?
5. Did involuntary servitude in any way violate the moral and religious precepts of early American settlers? If so, how do you account for its acceptance?
6. Was the continuance of the institution of involuntary servitude justified by economic necessity and the ultimate contribution which this institution made to the general growth of the community?
7. Why did the institution of slavery develop in the South and not in the North?

Nature and Development of the Problems

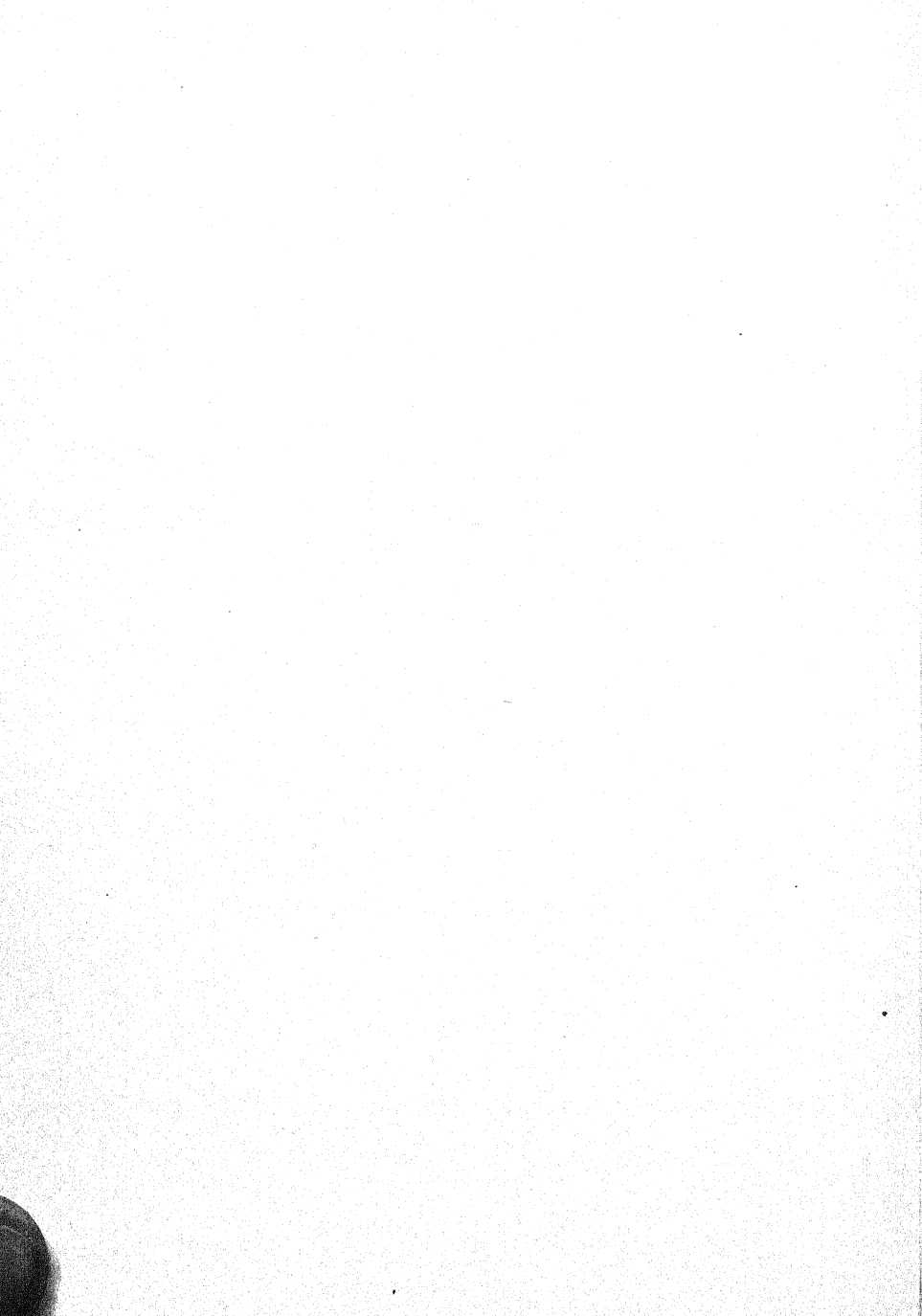
8. Was slavery the preponderant form of human labor in the South?
9. Which factors were most influential in the eventual abolition of slavery in the United States: economic, moral, or religious?
10. How did the existence of an abundance of free land encourage the growth of individualism and influence the general status of the wage-earning class in manufacturing industries?
11. If the existence of free land had such a beneficial effect, how may we explain the existence of such unfavorable standards of work and wages in the United States during the first half of the nineteenth century?
12. Why were the evils which resulted from the introduction of the factory system in the United States so much less severe than those that issued from the Industrial Revolution in England?
13. In what particular ways does the growth of large-scale industry create problems of labor relations?
14. Of what significance to American wage-earning classes is the obvious tendency toward concentration in the control of corporate wealth?
15. Generally speaking, have American employers been consistent individualists?
16. Why should the doctrine of *laissez-faire* have dominated labor relations long after its influence had greatly diminished, if not disappeared, from other areas of economic life?

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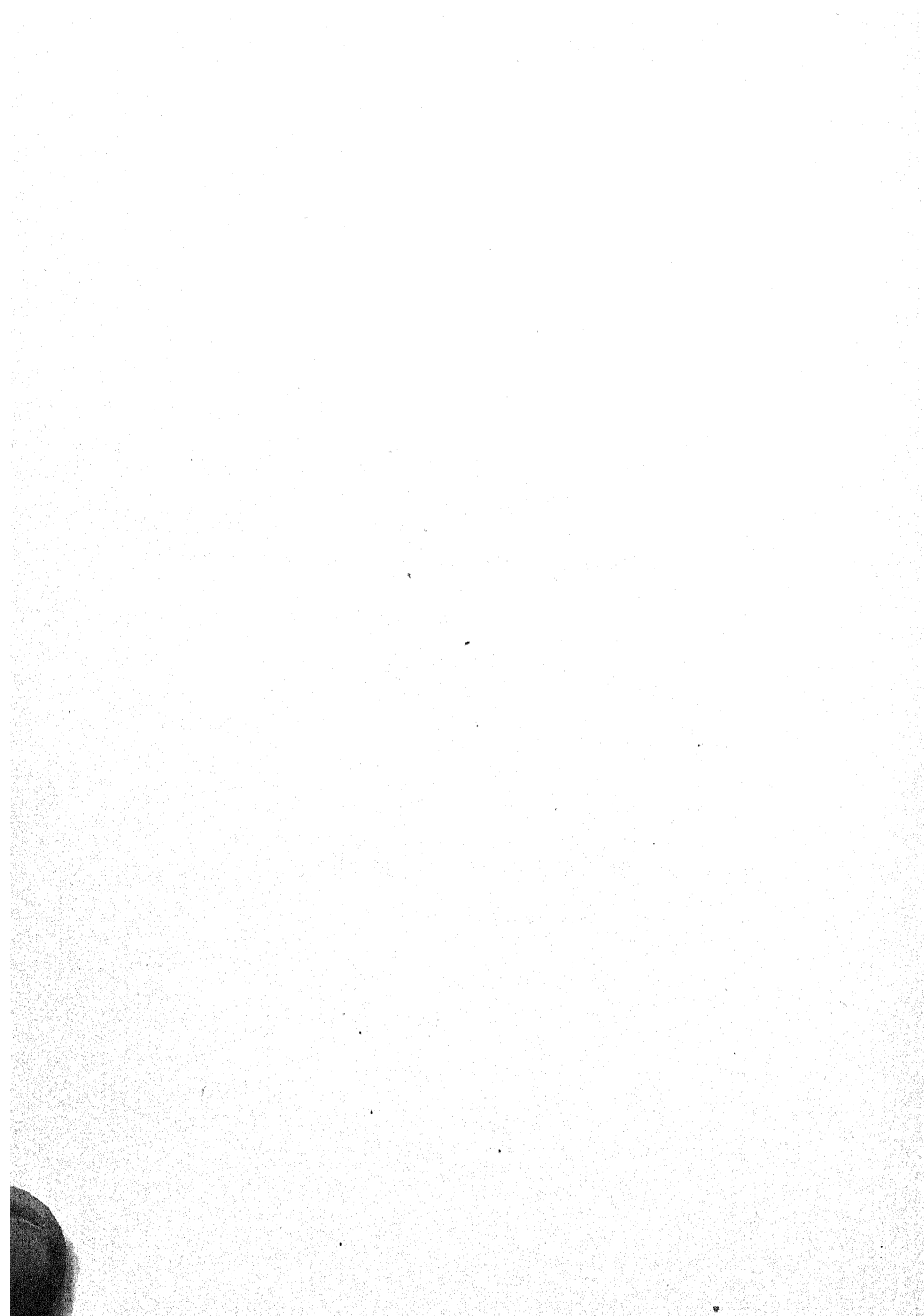
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PART II

CONDITIONING FACTORS IN LABOR PROBLEMS



Chapter 4

POPULATION, INSTITUTIONAL AND GEOGRAPHICAL FACTORS

A. POPULATION FACTORS

THE RELATION OF POPULATION TO LABOR PROBLEMS. The historical sketch of the rise and expansion of modern industrialism which was presented in the preceding chapters has already suggested the influence that population necessarily exercises over labor conditions and relations. It is our purpose here to examine that influence more closely in order that we may see the causal relationship more clearly.

It might be said, with considerable justification, that in its most comprehensive sense the general problem of labor relations is necessarily identified with the problem of population. The qualitative character of population, that is, its physical capacity and general level of intelligence, is a basic factor in a nation's economic efficiency, just as economic efficiency is a basic factor in population quality and growth. The coexistence of extraordinary physical energy and superior intelligence have been important causes in the material advance and well-being of nations. These are not, of course, the only determinants, since, as we shall see in detail later, the presence or absence of adequate natural resources is a fundamental consideration.

On its quantitative side, population is intimately related to numerous phases of labor relations. From the point of view of the employer, the quantity of population is the determining factor in the general labor supply. The relative abundance or scarcity of that supply is dependent upon the trend in population growth. The supply of labor in the market for particular trades depends in part upon the availability of skill,

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which in turn is dependent upon educational and training facilities and opportunities rather than upon the quantity of population. The productive efficiency of a country, then, depends in part upon the quality and quantity of population, because these determine the supply of labor power.

Viewed from the standpoint of the laborer, the quantity of population may constitute a primary factor in the economic well-being of himself and his class. An adequate labor supply is, as we have just seen, a necessary condition of productive efficiency. Sustained efficiency is, in turn, the basis of general economic welfare and progress. An excessive labor supply, whether in the general labor resources of the country or in the labor resources of particular trades and occupations, tends to affect the wage earner's status adversely. When, because of labor scarcity, several employers bid for the services of a single workman, labor has a scarcity value that affects wages favorably. If, however, because of a labor surplus, several workers bid for a single job, then jobs have a scarcity value, and, in the absence of artificial restraints, the wages of labor are affected unfavorably. Moreover, a scarcity of labor encourages the substitution of machinery for labor power, which may in the long run result in the permanent displacement of skill.

THE WORLD'S POPULATION AND THE LABOR MARKET. According to statistical estimates made by the League of Nations,¹ the world's population at the end of 1937 was 2,134,000,000, an increase of 18,000,000 over 1936. More than half of mankind lives in Asia, where China has 450,000,000 people, India 350,000,000, and Japan and her possessions 100,000,000. The population of Soviet Russia is approximately 178,000,000. Of the 397,000,000 human beings in Europe, 79,000,000 live in Germany, 47,000,000 in the United Kingdom, 43,000,000 in Italy, 42,000,000 in France and 35,000,000 in old Poland. From these and many other countries of the East and the West, which are supposedly suffering under the pressure of population upon the means of subsistence, millions of individuals have migrated to areas of low population pres-

1. *Monthly Bulletin of Statistics*, vol. xix, November, 1938, p. 525.

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sure, such as the United States, and millions more would do so were it not for artificial restrictions upon immigration.

Legislative restrictions upon the migration of peoples do not, of course, eliminate the influence of world population upon labor problems. Denied the privilege of "exporting" their surplus population, overpopulated countries turn their attention to the possible conquest of new territory and to industrialization as a basis for economic self-sufficiency. Sources of raw materials are sought through conquest of weaker nations and through the channels of foreign trade. Foreign markets for finished products are flooded with low-priced commodities produced by cheap labor, which is the inevitable result of a surplus population with a relatively low standard of living. Japan is the most significant example of such national behavior in recent times, although Germany and Italy have pursued a similar course of economic and political activity.

It is evident, then, that the competitive struggle in the labor market assumes a distinctly international character; its scope is world wide because of the existence of surplus population relative to the means of subsistence. In the last analysis, it is a competitive struggle between relative costs and standards of living, which are rooted partly in the quality and quantity of population. Of all the countries in the world none has furnished a more interesting example of the influence of this competitive struggle upon the labor market than has the United States.

THE GROWTH OF POPULATION IN THE UNITED STATES. As the histories of nations go, the United States is still an infant, with less than four centuries of development behind it and less than one hundred and seventy years of independent sovereignty in its recorded history. Figuratively speaking, it was only yesterday that the challenge of the frontier allured the pioneer to the plains and valleys of the West where free land was to be had for the asking and rich natural resources in timber and the precious metals awaited exploitation. There are people living today who crossed the country in covered wagons to seek the stores of wealth that the mountains and the valleys of the Pacific slope were said to contain.

Conditioning Factors in Labor Problems

But the frontier with its free land and unappropriated natural resources has disappeared. The competitive struggle for the good things of life has become increasingly severe, natural resources have been shamefully wasted and their rigid conservation is now urged as an imperative national policy, the rate of population increase is constantly declining, families are generally smaller, and immigration is strictly regulated. The problem of yesterday was one of subduing a rich frontier and encouraging population growth through a natural increase of births over deaths and stimulation of immigration; the problem of today and tomorrow is essentially one of finding employment opportunities for millions of unemployed and of adjusting the population to the prospective means of subsistence. This does not mean that our natural resources are inadequate to support an increasing population for some time to come, but rather that we must first establish a balance between consumption and production that will assure stabilized employment for the existing population. To this end it is necessary to develop a more effective and equitable system of distribution, to which we shall turn our attention later in this volume.²

TABLE 3
GROWTH OF POPULATION IN THE UNITED STATES, 1790-1940

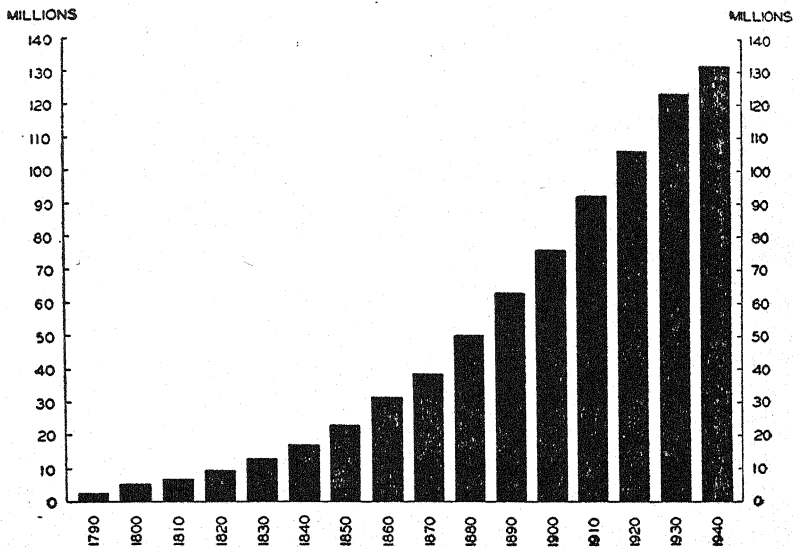
Year	Population	Per Cent of Decennial Increase	Year	Population	Per Cent of Decennial Increase
1790	3,929,214	...	1870	38,558,371	22.6
1800	5,308,483	35.1	1880	50,155,783	30.1
1810	7,239,881	36.4	1890	62,947,714	25.5
1820	9,638,453	33.1	1900	75,994,575	20.7
1830	12,866,020	33.5	1910	91,972,266	21.0
1840	17,069,453	32.7	1920	105,710,620	14.0
1850	23,191,876	35.9	1930	122,775,046	16.1
1860	31,443,321	35.6	1940	131,669,275	7.2

SOURCE: Fifteenth Census of the United States, 1930, *Population*, vol. i, p. 6. On September 21, 1938, the Census Bureau announced that the total population of continental United States on July 1, 1938, was 130,215,000. The 1940 figures are from the Sixteenth Census.

The rapidity with which this vast area has been peopled is one of the most extraordinary developments in the history of population. In

2. Chaps. 8, 9.

CHART I
POPULATION OF THE UNITED STATES, 1790-1940



SOURCE: United States Department of Commerce, *Statistical Abstract of the United States* (U.S. Bureau of the Census, 1938), p. 2, Table 3. (Note: The 1940 census figure has been added.)

1790 the population of the United States was less than four millions. By 1930 the number had increased to almost 123,000,000, and by 1938 to more than 130,000,000. The 1940 census of the United States showed a total of almost 132,000,000, an increase of 3,250 per cent over 1790. The rate of increase, however, has been declining. From 1790 to 1800 the rate was 35 per cent, while from 1920 to 1930 it was only slightly above 16 per cent. The decade 1930-1940 showed a further decrease to the all-time low of 7.2 per cent. Estimates based on the intervening years correctly foreshadowed this decline. The data in Table 3 show the numerical and percentage increases by decades for the period 1790 to 1940, data for the last decade now being final. Many factors have contributed to the growth of America's population. These include the natural increase of births over deaths, the influx of immigrants, the phenomenal growth of transportation facilities, improvement in the technique of industrial production, the application of scientific methods of cultivation to an expanding area of agricultural production, and the remarkable triumphs of modern medicine and surgery which not only have expanded the span of life but also have made it possible, through sanitation and other public measures, for large numbers of people to exist in congested areas.

DISTRIBUTION OF POPULATION BY RACE AND NATIVITY. The population of the United States has sometimes been referred to as "a great mosaic of polyglot elements." This may be an interesting analogy, but it is hardly an accurate one. The population of this country has neither the unity nor the cohesion of a mosaic, much less an integrated pattern of related elements. In fact, the opposite is true. National unity, even in periods of great crisis like the World War, has been difficult to achieve because of the diversity in the racial and national origins of our people. Even in times of peace, race prejudice is constantly functioning to preclude desired unity of purpose, co-operative action, and homogeneity. The United States is a veritable battleground for foreign propagandists. There is no doubt concerning the polyglot character of the population. Few countries present a greater multiplicity of racial and national strains, as is clearly shown in Table 4.

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TABLE 4
POPULATION OF THE UNITED STATES BY COLOR OR
RACE AND NATIVITY, 1930

Color or Race	Total Population	Per Cent Native Born	Per Cent Foreign Born
White	108,864,207	87.7	12.3
Negro	11,891,143	99.2	.8
Mexican	1,422,533	56.6	43.4
Indian	332,397	98.9	1.1
Japanese	138,834	49.2	50.8
Chinese	74,954	41.2	58.8
Filipino	45,208	99.6	.4
Hindu	3,130	13.2	86.8
Korean	1,860	43.9	56.1
Hawaiian	660	99.1	.9

SOURCE: Fifteenth Census of the United States, 1930, *Population*, vol. ii, p. 25.

In the total population there were other elements (Malay, Siamese, and Samoan) numbering less than 100, hence not listed separately in the above table. The native born constituted 88.4 per cent of the total inhabitants, and the foreign born 11.6 per cent. The very significant influence which the diversity of racial composition has upon problems of industrial relations will become quite evident in our later chapters dealing with Negro labor and immigration in relation to the labor supply and standards of employment. It is sufficient here merely to suggest that the presence of such population groups having varying standards of living, prevailing on the sub-standard level, necessarily creates a problem of competition which is a constant threat to the general well-being of native-born American wage earners.

URBANIZATION. One of the most striking characteristics of the growth of population in the United States has been the conspicuous process of urbanization, which is revealed in Table 5 and Chart 2. It will be remembered that this nation in 1790 was substantially all rural in the sense that no large cities existed.

Industrial enterprises, which usually constitute the foundation of urban civilizations, were practically unknown and almost all of the people supported themselves by agriculture. Even in 1880, almost a century later, 71.4 per cent of the population resided in rural areas, and

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TABLE 5

URBAN AND RURAL POPULATION IN THE UNITED STATES, 1880-1940

YEAR	TOTAL POPULATION	RURAL		URBAN	
		Per Cent of Total	Per Cent Decennial Increase	Per Cent of Total	Per Cent Decennial Increase
1880	50,155,783	71.4	...	28.6	...
1890	62,947,714	64.6	13.6	35.4	55.3
1900	75,994,575	60.0	12.2	40.0	36.2
1910	91,972,266	54.2	9.2	45.8	38.8
1920	105,710,620	48.6	3.2	51.4	28.8
1930	122,775,046	43.8	4.7	56.2	27.0
1940	131,669,275	43.5	6.4	56.5	7.9

SOURCE: Compiled from the Fifteenth Census of the United States, 1930, *Population*, vol. ii, p. 8.

The figures for 1940 are taken from Series P-5, No. 3, issued by the Bureau of the Census, Sixteenth Census of the United States, released under date of February 20, 1941.

only 28.6 per cent lived in urban communities, that is, communities with 2,500 or more inhabitants. By 1940, considerably more than one-half (56.5 per cent) of the American people were urban dwellers, and only 43.5 per cent were residents of rural areas.

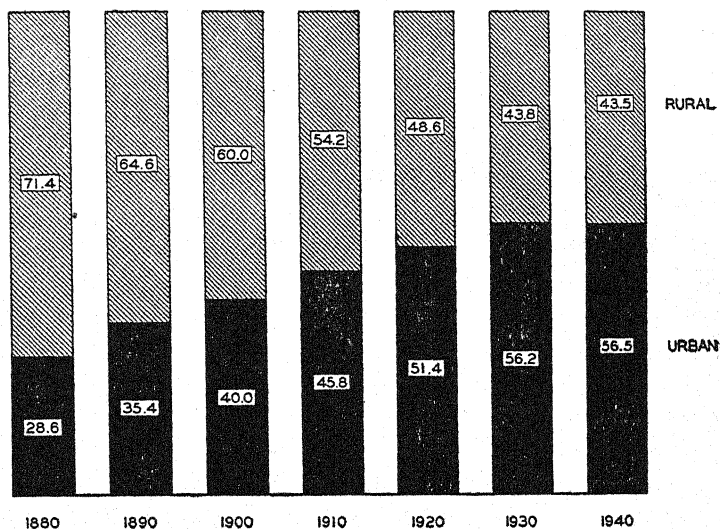
The shift of population to urban centers, a phenomenon not peculiar to the United States, is closely indicated in the growth of cities. In 1890 the United States had twenty-eight cities with a population of 100,000 or more, within which there lived 15.4 per cent of the nation's total population; in 1930 the number of such cities had increased to ninety-three, and within them almost 29.6 of the total inhabitants resided. In the year 1890 only about one person in every seventeen, 5.8 per cent of our population, lived in cities of 1,000,000 or more inhabitants, but in 1930 such cities claimed 12.3 per cent of the total population, or more than one person in every eight. In the latter year, 6,000,000 more people were listed as urban inhabitants than lived in the whole United States in 1790.

The data given in Table 5 present the significant fact that in each decade the percentage increase in urban population has been very much greater than the corresponding increase for the rural areas. For a brief period during the early part of the Great Depression which set in in

CHART 2

RURAL AND URBAN POPULATION IN THE UNITED STATES, 1880-1940

IN PERCENTAGES



SOURCES: 1880-1920: U.S. Bureau of the Census, *Farm Population of the United States*, Census Monograph VI (Washington, 1926), p. 28. 1930: *Statistical Abstract of the United States, 1937* (U.S. Bureau of the Census, 1938), p. 6, Table 7, 1940: The figure for 1940 is from the Sixteenth Census of the United States, Special Release, Series P-5, No. 3.

1930, there was some indication of a reversal of trend in population migration. Considerable optimism developed as the movement of population to the farms began to supersede the migration to cities. By 1933, however, the migration of agricultural population to the cities had reappeared to such an extent as to demonstrate an established trend.

The movement of population from the country to the city is obviously a result of increasing industrialization, which has provided unprecedented opportunities for employment. In addition, other forces and factors have contributed to this migration. These are partly technological and economic, partly psychological and sociological in nature. The mechanization of agriculture has definitely reduced the labor requirements of the farms and consequently has released a corresponding number of workers for city industries, where the more elastic requirements of luxury and service industries absorb their energies. Relatively higher wage rates, more definite standards of working hours, and, frequently, the better living and working conditions are among the other economic factors which entice farm laborers to the urban communities. It is not possible to analyze this urbanization movement, moreover, without recognizing the influence of the World War. During that struggle the drafting of men for the military and naval forces of the nation coupled with a falling-off of immigration from European countries created a labor shortage for American industries at a time of unprecedented demand for industrial labor. The migration from the country to the cities assumed a nation-wide character.

The greater educational, recreational, and social facilities and opportunities which exist in the cities draw large numbers of young people who otherwise might be content to remain in the rural areas. Moreover, urban communities tend to satisfy more completely the gregarious or herding disposition of the average human being.

The rise of a predominantly urban civilization in the United States is full of actual and potential significance for the nation as a whole, and particularly for the wage-earning class. In the city industries the conflicts between capital and labor are most numerous and severe, because it is in such industries that organized labor and organized capital are strongest, economic relations are most complex, and class consciousness

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and antagonism are most real. In the cities men and women live and work in relatively intimate proximity, and in this close association there is frequent opportunity for the discussion of mutual grievances. The consciousness of common problems encourages co-operative efforts to eliminate the causes of common injustices. From this psychological situation strong labor unions emerge, which in turn stimulate the organization of militant employers' associations. Reformist and radical ideologies find favorable spawning grounds in the great cities. It is not an accident that mass movements generally begin in the urban community. The situation is quite different in the agricultural community, where it is relatively difficult for scattered farm employees to exchange ideas, compare grievances, and organize effectively for mutual protection, even though economic injustice may be as real in the rural areas as it is in the cities.

Although the cities provide greater opportunities for the co-operation, unity, and solidarity of labor and offer many advantages to the wage-earning class, they also present acute economic and social problems for the masses. In the cities poverty and misery are seen at their worst. Congested housing in city slums, the prevalence of contagious and social diseases, dependence on wages, frequent unemployment, the extraordinary discipline of industrial life, the frequently distressing anonymity, the speed and tension of city life which impose a severe nervous strain—all of these and other disadvantages appear on the debit side of the city ledger. In recognizing such problems, it is not our intention to disregard the superior facilities that cities invariably offer for medical care, hospitalization, sanitation, and charitable assistance, which are of vital interest to the working class in times of need.

OCCUPATIONAL GROUPS AND ECONOMIC CLASSES. Industrialization and urbanization have been accompanied by important changes in the occupational and general economic structure of the population, which, of course, reflects basic changes in the functions of the constituent groups. These changes yield immeasurable advantages in division of labor and specialization of tasks, and reveal fundamental developments and modifications in the national economy. From these modifications sharply differentiated classes emerge, a fact which is quite likely to have serious

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social repercussions. Occupational differentiation is accompanied by increasing dependence of the laboring class upon the capitalist-employer class for the opportunity to earn a livelihood. Social stratification naturally follows. Such a situation is likely to produce a conflict of economic interests that tends to generate industrial and social unrest, if not class consciousness with its revolutionary implications.

If we would understand the numerous points of view and attitudes that appear in every manifestation of industrial strife, we must know something about the economic structure and functions of the nation's population. The data in Tables 6 and 7 and Chart 3 give a cross section of that structure, which in turn indicates the functions of the various occupational groups in the economic life of the country.

TABLE 6

OCCUPATIONAL DISTRIBUTION OF GAINFUL WORKERS 10 YEARS
OF AGE AND OVER IN THE UNITED STATES, 1910, 1920, 1930

	1910		1920		1930	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
All occupations	38,167,336	100.0	41,614,248	100.0	48,829,920	100.0
Agriculture	12,388,309	32.5	10,665,812	25.6	10,471,998	21.4
Forestry and fishing	241,806	0.6	270,214	0.6	250,469	0.5
Extraction of minerals	965,169	2.5	1,090,223	2.6	984,323	2.0
Manufacturing and mechanical industries	10,656,545	27.9	12,831,879	30.8	14,110,652	28.9
Transportation and communication	2,665,269	7.0	3,096,820	7.4	3,843,147	7.9
Trade	3,633,265	9.5	4,257,684	10.2	6,081,467	12.5
Public service	431,442	1.1	738,525	1.8	856,205	1.8
Professional service	1,711,275	4.5	2,171,251	5.2	3,253,884	6.7
Domestic and personal service	3,755,798	9.8	3,379,995	8.1	4,952,451	10.1
Clerical occupations	1,718,458	4.5	3,111,836	7.5	4,025,324	8.2

SOURCE: Fifteenth Census of the United States, *Population*, vol. iv, p. 6, Table 2. For 1940 estimates and trends from 1870 to 1940, see the testimony of Theodore J. Kreps before the Temporary National Economic Committee, April 8, 1940, p. 43.

Although the population of the United States nearly doubled in the forty-year period between 1890 and 1930, the percentage of those gainfully employed in the latter year was only a little higher than the per-

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centage for the former year. In 1890, the gainfully occupied persons ten years of age and over totaled 23,318,183, which was 37.2 per cent of the total population, and 49.2 per cent of those ten years of age and over. In 1930, the number of those ten years of age and over who were gainfully employed was 48,829,920, or 39.8 per cent of the total population and 49.5 per cent of those ten years of age and over.³ The proportion of adult male population gainfully occupied declined during this same period, the percentage in 1890 being 79.3 while in 1930 it was 76.2. The proportion of the adult female population gainfully employed increased from 17.4 per cent in 1890 to 22.0 per cent in 1930.⁴ The failure of the number of gainfully employed persons to increase more rapidly is attributed to the decrease in the gainful employment of young people. The discrepancy between the gainful employment trend for adult males and adult females is accounted for by the fact that women constitute a larger proportion of the population today than formerly and now enter more generally into gainful occupations than they did previously. The decrease in immigration during the period subsequent to the outbreak of the World War in 1914 is also a factor in this discrepancy. The so-called "new immigration," which came from the east and the south of Europe, consisted predominantly of males.

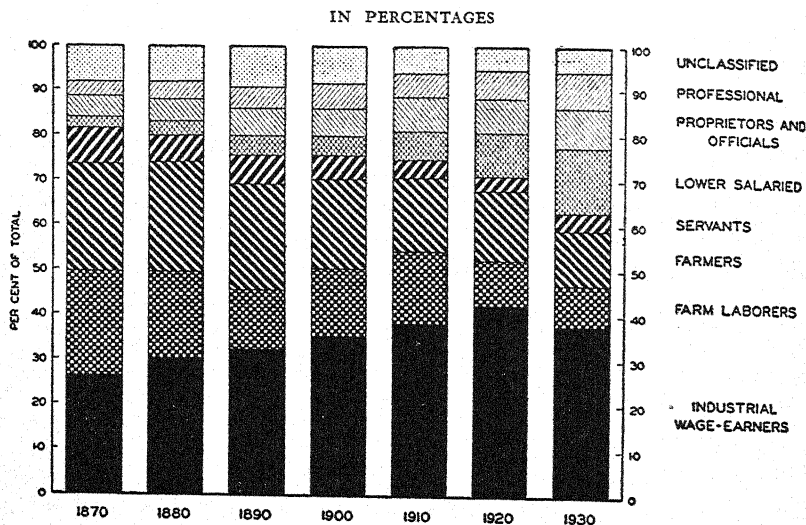
The almost one-half of our population ten years of age and over who were gainfully occupied in 1930 were distributed throughout an incalculable variety of occupations and professions, which, for the most part, are grouped by the United States Bureau of the Census in the simple categories indicated in Table 6.

From the point of view of the student of labor relations it is important to know not only the general distribution of the gainfully occupied, which has just been indicated, but also the economic status of these groups in the general structure of the population. That is, we are interested in learning what proportion of the nation's gainfully employed population belongs to what is known as the employer class and what proportion belongs to the self-employed and wage- or salary-earning classes. Such information is important because it tends to re-

3. Fifteenth Census of the United States, *Population*, vol. iv, p. 6.

4. *Ibid.*

CHART 3
OCCUPATIONAL GROUPS IN THE UNITED STATES, 1870-1930



SOURCE: Alvin H. Hansen, "Industrial Classes in the United States in 1920," *Journal of the American Statistical Association*, vol. 18, December, 1922, pp. 503-6; T. M. Sogge, "Industrial Classes in the United States in 1930," *Journal of the American Statistical Association*, vol. 28, June, 1933, pp. 199-203.

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veal the probable points of view and attitudes of the various groups in issues that arise in employment relations. Chart 3 and Table 7 indicate this distribution of economic classes.⁵

TABLE 7
OCCUPATIONS AND NUMBERS OF WORKERS IN THE
UNITED STATES, 1870-1930

Group	1870	1880	1890	1900	1910	1920	1930
Number of Workers (in thousands)							
Farm laborers	2,886	3,324	3,004	4,411	6,144	4,179	4,393
Farmers	3,000	4,282	5,370	5,771	6,229	6,464	6,079
Proprietors and officials	581	807	1,347	1,812	2,879	3,168	4,271
Professional	405	666	1,115	1,566	2,075	2,760	3,846
Lower salaried	309	529	966	1,330	2,394	3,985	7,117
Servants	976	1,076	1,455	1,454	1,572	1,271	1,999
Industrial wage earners	3,328	5,287	7,360	10,266	14,557	17,648	18,513
Unclassified	1,010	1,421	2,118	2,467	2,318	2,139	2,613
TOTAL	12,506	17,392	22,736	29,073	38,167	41,614	48,830
Percentage Distribution of Occupational Groups							
Farm laborers	23.1	19.1	13.2	15.2	16.1	10.0	9.0
Farmers	24.0	24.6	23.6	19.8	16.3	15.5	12.4
Proprietors and officials	4.6	4.6	5.9	6.2	7.5	7.6	8.7
Professional	3.3	3.8	4.9	5.4	5.4	6.6	7.9
Lower salaried	2.5	3.0	4.3	4.6	6.3	9.6	14.6
Servants	7.8	6.2	6.4	5.0	4.1	3.1	4.1
Industrial wage earners	26.6	30.4	32.4	35.3	38.2	42.4	37.9
Unclassified	8.1	8.2	8.2	8.5	6.0	5.1	5.4
Trends in Relative Importance of Occupational Groups (1870 = 100)							
Farm laborers	100	83	57	66	70	43	39
Farmers	100	103	98	83	68	65	32
Proprietors and officials	100	100	128	135	163	165	189
Professional	100	115	148	164	164	200	239
Lower salaried	100	120	172	184	252	384	584
Servants	100	79	82	64	53	40	53
Industrial wage earners	100	114	122	133	144	159	142
Unclassified	100	101	115	105	74	63	67

SOURCE: Bureau of the Census, U.S. Department of Commerce.

5. T. M. Sogge, "Industrial Classes in the United States in 1930," *Journal of the American Statistical Association*, vol. 28, June, 1933, pp. 199-203. This analysis is a continuation of previous studies by Alvin H. Hansen, as follows: "Industrial

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Professor Leo Wolman has greatly reduced and simplified the classification of economic groups in the working population of the United States. In Table 8 he gives the total and percentage distribution of these for selected census years.

TABLE 8

WORKING POPULATION IN THE UNITED STATES, 1910, 1920, 1930

ECONOMIC GROUP	DISTRIBUTION					
	1910		1920		1930	
	Number	Per Cent	Number	Per Cent	Number	Per Cent
Professional workers ...	1,613,755	4.6	2,000,840	5.1	2,855,973	6.1
Proprietors, managers, and officials; independent, salaried and commission workers	9,334,821	26.9	10,121,888	25.6	11,096,269	23.5
Employees	23,809,904	68.5	27,359,660	69.3	33,217,886	70.4
TOTAL	34,758,480	100.0	39,482,388	100.0	47,170,128	100.0

SOURCE: Leo Wolman, *Ebb and Flow in Trade Unionism* (New York, National Bureau of Research, 1936), p. 113. The totals here differ from those of the Census Bureau because Dr. Wolman has not included in his totals unpaid family workers on farms. The totals for these were 3,310,534 in 1910, 1,850,119 in 1920, and 1,659,972 in 1930. Dr. Wolman's data are reproduced by permission of the National Bureau of Economic Research, New York.

From these special studies it is possible to draw certain significant conclusions concerning trends of economic distribution of the American population. There is, first, no doubt that the vast majority of the gainfully employed in this country at the present time are employees, which means that they must depend upon others for the chance to work and consequently the chance to live. Lower-salaried persons, farm laborers, industrial wage earners, and servants are obviously in this category. This economic group has shown a definite tendency to increase, although the decline in the relative importance of farm laborers has ac-

Class Alignments in the United States," *Quarterly Publication of the American Statistical Association*, vol. 17, December, 1920, pp. 417-25; "Industrial Classes in the United States," *Journal of the American Statistical Association*, vol. 18, December, 1922, pp. 503-6. The above tables are reproduced by permission of the American Statistical Association.

counted for the absence of a striking increase. In 1930, these so-called "dependent classes" constituted 65.6 per cent (74.4 per cent, according to Professor Wolman's classification) of the nation's gainfully occupied, which is an important fact in a study of labor relations. Even if farm laborers are omitted from this group, the relative total percentage for the group in the year 1930 was 56.6.

Significant, however, is the fact that the "independent classes" (proprietors, officials, and professionalists), which generally are not sympathetic with the efforts of the "dependent classes" to improve their status through unionism and legislation, show a tendency to increase faster than the industrial wage-earning group. The relative importance of industrial wage earners in 1930 was 42 per cent greater than in 1870, whereas that of proprietors and officials was 89 per cent greater, and that of professional persons 139 per cent greater. Again the most important factor in the relative positions of these groups is the decline in the relative importance of agricultural labor, which allowed a shift of population into expanding industrial and commercial enterprises and professional activities. The lower-salaried workers, it will be noted from Table 7, showed both a relative and absolute increase in the sixty-year period 1870-1930. This group, which is not a particularly class-conscious one, is likely to be in a distinctly unfavorable economic position, partly because it invariably shares the philosophy of the employer class and manifests relatively little capacity for unionization. Almost the same characterization might be applied to the servant class, which in recent years in the United States has shown a tendency to increase.

The preceding studies also indicate some other important developments with regard to the gainful occupation and economic status of America's population. Brain workers (professional persons, lower-salaried individuals, proprietors, and officials) evidenced a tendency to increase in relative importance. Manual workers (farm laborers, farmers, industrial wage earners, and servants) manifest a tendency to decline in relative importance. Technological changes in industry and agriculture are partly responsible for this development. These tendencies suggest a basic change in economic activity for large numbers of the population. It is evident that workers who produce material goods

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(farmers, farm laborers, industrial wage earners) are decreasing in relative importance among the nation's gainfully occupied, whereas those who render services (professional persons, lower-salaried individuals, servants) are increasing in relative importance. Technological changes increase physical productivity, thus releasing workers for service activities. The pronounced increase in civil service positions, due to the recent expansion of governmental functions, will make this tendency even more conspicuous in the future.

What has been characterized as the "urban upper and middle" class (proprietors and officials, professional persons, lower-salaried groups) has tended to increase at a much more rapid rate than the "urban working" class (servants and industrial wage earners), although both have attained greater relative importance as a consequence of the decline in the relative importance of agriculture.

Such trends in the economic functions of the population as have just been cited lend support to the belief that the United States is essentially a "middle class" country, and that here this class is destined to increase rather than disappear, despite Karl Marx's prophecy that in the development of capitalism the middle class inevitably will disappear. From our previous examination of the growth of industry and population trends it is evident that agriculture has assumed a subordinate position and that manufacturing and other industries have absorbed a larger proportion of the gainfully occupied. This appears to be a general characteristic of capitalist civilization everywhere. In 1880, agriculture claimed 44 per cent of all gainfully employed persons in the United States, but by 1930 only 21.9 per cent of the gainfully occupied were in agriculture. On the other hand, only 21.8 per cent of the gainfully occupied were in manufacturing in 1880, but the percentage in 1930 was 28.9. Moreover, trade, transportation, and communication, which in 1880 employed only 10.8 of the gainfully occupied, claimed 20.4 per cent in 1930. Even more significant, however, is the fact revealed in Table 9, namely, that the proportion of individuals engaged in professional services and trade (lawyers, teachers, doctors, and professional specialists of various kinds) almost doubled in the sixty years between 1870 and 1930.

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TABLE 9

PERCENTAGE INCREASE IN MATERIAL-GOODS WORKERS AND
SERVICE-RENDERING WORKERS IN THE UNITED STATES,
1870-1940

Year	Material-Goods Workers	Service-Rendering Workers
1870	73.7	13.6
1900	70.3	15.0
1910	70.6	15.8
1920	67.9	19.3
1930	59.3	26.6
1940 ^a	58.5	27.2

^a Estimates for 1940 are the authors' and have been made from Tables 15 and 16, Chapter 8.

SOURCE: Sogge, *op. cit.*, p. 202.

A considerable number of these work for salaries, while a great many are self-employed. To the student of labor problems the importance of this "white-collar" movement is that professional and service employees are quite likely to identify themselves with the capitalist-employer classes, embracing the ideology, point of view, and attitude of these classes in controversies between employers and employees. That is, white-collar workers tend to assimilate the political, economic, and social philosophy of what the socialists call the "bourgeoisie" or middle class rather than the ideology of the "proletariat" or industrial wage-earning class.

Although an increasing percentage of the population of the United States is being absorbed by the professions and service occupations, it is not possible to state dogmatically to what extent this indicates a shift in the interest and sympathy of the population from the cause of the working class to the objectives of the proprietary class. The recent growth of unionism among service and clerical groups suggests that the problems and ideals of numerous white-collar workers are not basically different from those of the industrial wage earners. Indeed, the employment conditions of a large number of service and clerical workers are very much worse than those in manufacturing, mining, trans-

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portation, and communication, in which manual workers constitute a majority of the employees and have organized for protection.

ECONOMIC CLASSES AND THE PROBLEMS OF INDUSTRIAL RELATIONS. As previously indicated, the division of the nation's population into sharply defined economic and social classes has a marked influence upon points of view and attitudes toward problems of industrial relations. In America, at least, the upper and middle classes are not ordinarily sympathetic toward the aspirations and demands of industrial wage earners, who, nevertheless, constitute by far the largest occupational group and in general are the most economically dependent class. Business and professional classes, farmers, and children of farmers, who have attained the status of proprietorship or who have a tangible opportunity to do so, invariably tend to acquire the economic and social philosophy of the employing class. Rural laborers, servants, and industrial wage earners, on the other hand, usually have a different outlook from that of the capitalists and employers because the place of the former class in the economic system is different, generally being characterized by economic dependence.

With the passing of the frontier relatively free access to natural resources disappeared; opportunities for proprietorship for those who did not possess capital necessarily diminished and the process of proletarianization was accelerated. For the mass of the people this meant a wage-earning status. It also means that the generalizations and slogans which accompany abundant opportunity to rise in the economic structure are likely to have far less influence in the future than they have had in the past. In this connection Professor Alvin H. Hansen has observed:⁶ "The old type of American industrial ideals, based upon proprietorship and industrial independence, may be expected to hold sway—so far as the former group [capitalist-employers] is concerned. But the old slogans do not fit the life of the latter group [industrial proletariat], and the old appeals cannot be expected in the long run to be successful. This is by no means saying that it [the wage-earning class]

6. "Industrial Class Alignments in the United States," *American Statistical Association Publications*, vol. 17, December, 1920, p. 422. Reproduced by permission of the Association.

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is a homogeneous group or that one type of appeal can be made to all."

One must remember, of course, that in the United States skilled workers and other fairly well-paid employees often acquire a capitalistic and conservative point of view. The mobility of occupational groups undoubtedly is greater here than in any other country. This means that a relatively greater proportion of wage earners and wage-earners' children are able to rise into the professional and proprietor-employer classes. So long as men and women are able to rise out of their class it is difficult to create in them a class consciousness so fixed and unchanging as to encourage their permanent alliance with mass movements. This partly explains the slow growth of radicalism in this country, the difficulty encountered in holding able leaders in the ranks of organized labor, and the spread of conservatism among wage earners, who in other countries are permanently identified with the industrial proletariat. The growth of unionism among professional, clerical, and agricultural workers in this country in recent years may not indicate that the traditional hope of ascending into the proprietor-employer class is dead, but it may, on the other hand, reveal an increasing disillusionment that the hope can be realized with any degree of ease or certainty.

B. INSTITUTIONAL FACTORS

THE NATURE AND GENERAL INFLUENCE OF INSTITUTIONS. The term "institution" refers to the methods of procedure which groups of individuals have adopted and established to assure the attainment of certain more or less clearly defined purposes; it is essentially an associative and co-operative effort to achieve certain ends. Professor Walton H. Hamilton⁷ defines an institution as

... a verbal symbol which for the want of a better describes a cluster of social usages. It connotes a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of a people. In ordinary speech it is another word for procedure, con-

7. *Encyclopaedia of the Social Sciences*, vol. 8, p. 84. Reproduced by permission of the publishers, The Macmillan Co., New York.

vention or arrangement; in the language of books it is the singular of which mores and folkways are the plural. Institutions fix the confines of and impose form upon the activities of human beings.

If the history of mankind reveals any positive truth it is that institutions have evolved in direct response to basic human needs, desires, and aspirations. Inspired and guided by instincts and emotions, sometimes by reason, the behavior of individuals and groups tends to become habitual, providing both the foundation and the pattern of institutions. In a very real sense, institutions are patterns of group behavior woven from ideas and ideals, a sense of moral, social, and economic values, and instinctive and emotional drives. Complex in the extreme are the fundamental urges, motives, and dreams that have propelled human beings in their creation of institutions. Sometimes accidental and fortuitous, sometimes conscious and purposeful, institutions have crystallized the mores of the group and given definite and permanent direction to social behavior. Thus, in the process of social evolution such institutions as the church, the state, the family, the corporation, the co-operative society, the press, and moral codes have developed.

To exaggerate the importance of institutions in the life of mankind is impossible because that life is "a tangled and unbroken web of institutions."⁸ Men and women move, live, and have their being in institutional relations and activities. These invariably give meaning and significance to what individuals think, say, and do; it is in them that human behavior finds its sanctions and its tabus. No individual can disregard with impunity the mores of his group, whether he be a member of a primitive tribe, of a free democracy, or of an enslaving dictatorship. The penalty of indifference and violation is often very severe. Throughout the history of the race a great price has been paid by those who have indulged in the luxury of nonconformity; social ostracism, the gallows, the guillotine, and the firing squad have exacted heavy toll from dissenters.

Institutions normally change very slowly; social change is evolutionary rather than revolutionary, although there have been notable exceptions to the rule. Institutions do, nevertheless, feel the impact of new

8. *Ibid.*

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ideas, concepts, and purposes; in the continuous process of social evolution, sometimes in the abrupt process of revolution, they are modified, remolded, or destroyed. They are, as Professor Hamilton has pointed out, "creatures of social stress and strain."⁹ On the whole, however, institutions are relatively inflexible, responding with distressing slowness to new needs and conditions. The crust of custom is hard to crack; the mores impatiently, often violently, resist the attack of modifying influences. This quality of conservatism has, as we shall soon see, very great significance for the social movements that seek to improve the status of the laboring class.

ECONOMIC INSTITUTIONS AND THEIR INFLUENCE ON LABOR RELATIONS. Economic, political, legalistic, and social institutions affect very directly the status and progress of the wage-earning class. Problems of labor relations develop within the institutional framework of the existing social order. The organization and functioning of that order, which in its totality is nothing more or less than a synthesis of institutions, is of vital concern to the gainfully occupied, in whatever economic category they may chance to be. For this reason it is pertinent that we examine these institutions in their relation to the problems of the working class.

The problems with which this book deals have developed in a capitalistic economy, the evolution of which was traced in earlier chapters. The characteristics of that economy, therefore, constitute the important environmental influences which have partly conditioned the relations between employers and employees. Capitalism may be defined roughly as that system of economic organization in which the agencies for producing, distributing, and exchanging commodities and services are predominantly privately owned and are managed for private gain by individual enterprisers, partnerships, or corporations. As an economic system or mode of satisfying material wants, capitalism is characterized by a certain spirit and institutional form which distinguishes it from other economic systems. For this reason capitalism can, perhaps, better be described than be defined, although the definition just given is sufficiently complete for our present purpose.

9. *Ibid.*, p. 86.

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Among the principal characteristics of capitalistic economy are private ownership of property; production for profit; dominant acquisitiveness; private employment of capital, labor, and natural resources for individual gain; contractual economic arrangements; freedom of enterprise; competition; and the absence of governmental restraint or its reduction to a minimum. A brief glance at these characteristics will help to orient our thinking with regard to the motives, drives, and purposes of those who own and control industry and who, directly or indirectly, are responsible for the administration of human relations in our economic organization.

1. *Acquisitiveness.* To the psychological nature of acquisitiveness as a human trait we shall turn our attention in a later chapter which discusses the psychological factors conditioning labor relations.¹⁰ Here we are concerned with acquisition as the dominant spirit of capitalistic society. The major purpose of economic activity in such a society is the acquisition of wealth. The production and accumulation of material things for private gain constitute the central emphasis in this predominantly acquisitive-mindedness. Material and human factors are organized and subordinated to this end. In the realm of acquisition self-interest is accepted as the infallible guide for the profitable employment of the factors of production and the agencies of distribution and exchange. The entrepreneur, motivated by the urge of profit making, visualizes the opportunities for money making and proceeds to assemble and organize the necessary land, labor, and capital. Acquisition becomes the end and the driving mechanism of the system. In this connection, Professor Werner Sombart appropriately observes:¹¹

Wherever acquisition is absolute, the importance of everything else is predicated upon its serviceability to economic interests; a human being is regarded merely as labor power, nature as an instrument of production, life as one grand commercial transaction, heaven and earth as a large business concern in which everything that lives and moves is registered in a gigantic ledger in terms of its money value. Ideals oriented upon the value of the human personality loosen their hold upon man's mind; efforts for the in-

10. Chapter 5.

11. "Capitalism," *Encyclopaedia of the Social Sciences*, vol. 3, p. 197. Reproduced by permission of the publishers, The Macmillan Company, New York, N.Y.

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crease of human welfare cease to have value. Perfection of the business mechanism appears as the only goal worth striving for; the means becomes an end.

Generated by self-interest, the spirit of acquisition has registered unparalleled achievements in the provision of greater material well-being. Moreover, this wider distribution of well-being has not been confined to those who chance to own and control our industrial, commercial, and financial enterprises. Even though its share of the greatly increased wealth of capitalistic economies has not been so large as it desired or deserved, the working class has obtained an increasing share. The material advances of capitalism have, however, often been purchased by an acquisitive spirit that has degenerated into unscrupulous and ruthless exploitation and dishonesty. It is from this source that the serious problems of labor relations have sprung. The spirit of self-interest and acquisition has produced immeasurable good; it has also nurtured an unnecessary measure of evil.

2. *Private Enterprise and Private Property.* Ours is an economic system in which, for the most part, private enterprise is depended upon to provide both the necessities and luxuries of life. In agriculture, industry, commerce, and finance, private individuals assume the responsibility for and the risk of satisfying our material needs. The spirit of gain and the quest for profit are objectified in the individual enterprise, the partnership, and the corporation. In these economic institutions precise calculations of profit and loss are made, and from a myriad of speculations and calculations emerge the goods and services mankind uses. The most is sought for the least. That is the maxim of profit making, and it has far-reaching effects upon human relations in industry.

Private enterprise rests on the foundation of capitalism, namely, private property, which is the exclusive right to own, enjoy, and dispose of things. Ownership of things involves the right to exclude other individuals from the enjoyment of them. The absence of ownership necessarily means dependence upon others for the use and enjoyment of things. The significant implication of this for the working class is that the opportunity to work and, consequently, the chance to live, is in the

hands of those who own and control the sources of employment. This economic dependence of the workers reveals one of the most important characteristics of capitalism, namely, that in general the instruments used in the production of wealth are not owned by those who use them. It is this fact, of course, that has been responsible for the rise of socialism and other movements that seek the socialization of industry.

Private property is so characteristically and fundamentally a part of our capitalistic civilization that it is quite generally regarded as a natural right. In the course of our analysis the influence which this insistence on the "natural right" of property has had upon problems of employment relations will become very apparent. Increasingly obvious, even to the exponents of the doctrine of natural rights, is the fact that private property did not always exist but is a man-created institution which depends upon the social group for its sanction and protection. Recognition of the human origin of property rights and the realization that they have not always been either so extensive or exclusive as at present are partially responsible for the expansion of public regulation in the interest of the general welfare. Governments are constantly imposing greater restrictions upon the right of private property. Indeed, such limitations are becoming so numerous that individualistically minded people are protesting vigorously that these limitations threaten the foundation of our economic system. The right of private property still dominates the theory of capitalism, but it is a right that is viewed increasingly as relative rather than as absolute. This changing point of view underlies the whole scheme of labor legislation that has assumed such prominence in industrialized countries.

3. *Economic Freedom and Competition.* In democratic countries, with which the rise of modern capitalism has been intimately associated, economic freedom has always been cherished as an indispensable condition of successful enterprise and the complete realization of individuality. Specifically, economic freedom means the right of the individual to move from one part of the country to another, to choose whatever gainful occupation he desires, to apply his capital and his labor in whatsoever manner he wishes, and to acquire and accumulate wealth. Freedom to work and produce, to sell and to buy as one chooses, without

the limiting influences of restrictive governmental regulation—that is the essence of economic freedom under capitalism. “Such freedom,” it has been observed, “together with the absence of slavery and of imprisonment for debt, are characteristic features of the present economic order as distinguished from past conditions.”¹² From the very beginning of modern capitalism economic freedom has been regarded as an essential phase of the philosophy of natural rights and the substance of the natural economic order.¹³ Classical political economy, constructed upon the postulates of Adam Smith’s *Wealth of Nations* (1776), has provided the philosophical framework for this natural economic order.

The doctrine of economic freedom is of paramount importance in labor relations and enters very largely into the recurrent conflicts between capital and labor. Controversy rages heatedly throughout the whole disputed area of so-called “industrial rights,” such as the right to work, the right to join or refrain from joining a union, the right to strike, the right to picket, the right to boycott, and the right to organize.

Economic freedom has often degenerated into license. That is why the state has been compelled to interfere and impose limitations upon the exercise of such freedom. The absence of governmental restraint does not necessarily imply the enjoyment of genuine freedom in the economic sphere, except for those who have the power to be free. The desire to be free avails one little in the absence of the power and opportunity to be free, and these may be lacking even when constitutional guarantees of freedom exist. “The system of private property itself means that certain individuals in the community have power to command other people to work, and the lack of an income under the present regime implies the lack of social freedom to do things.”¹⁴ The absence of capital may close the channels of production and markets to the most ambitious entrepreneur, trade-union restrictions on apprenticeship and membership may deprive the ablest and most willing individual of the opportunity to work, and monopolistic control may rob the consumer of a free commodity or service market. All this means that in our complex economic society genuine freedom can come for all

12. R. T. Ely, *Outlines of Economics*, 4th rev. ed., 1923, p. 22.

13. Cf. Sombart, *op. cit.*, p. 198.

14. Ely, *op. cit.*, p. 22.

only through the extension of intelligent governmental control which will preclude the exploitation of the economically weak by the economically strong.

Capitalistic economy is often referred to as a "competitive economy." Economic competition is the outgrowth of economic freedom; the two are inseparably related as cause and effect. Competition is really a composite process in which the essential elements are freedom of acquisition, free contract, private property, and the principle of struggle. The economics of what is sometimes referred to as a "free economy" is essentially Darwinian in that the fittest and the mightiest in the economic struggle are supposed to survive. In the competitive regime each gainfully occupied person is a seller of goods or services and a buyer of the things that satisfy his wants. The struggle is often an exacting one for the producers and distributors of commodities and services, since each finds success only in accurate determination of what the consumer wants and must produce what is wanted in the most economical and efficient manner. Nor is the struggle always free from dishonesty and corruption. Cut-throat competition, or the slashing of prices to eliminate one or more competitors, often reveals how predatory and unfriendly the struggle for markets can be. Campaigns of abuse and misrepresentation aimed at the products and services of competitors and carried on through the medium of advertising and selling agencies have not been uncommon. Nor is competition always as free as naturalistic economics pictures it, since distinct advantages accrue to particular competitors through such factors as consumer good will, high-pressure advertising, location, and patented processes. That is, competition may become monopolistic, yielding greater profit margins than pure competition would warrant under similar circumstances.

In the competitive struggle for markets entrepreneurs are continuously under pressure to reduce costs of operation to a minimum and keep prices at competitive levels. That is why economic competition affects so vitally the status of the wage-earning class. Not only are the laborers constantly compelled to face the exigencies of the labor market, in which, in the absence of unionization, workers must compete with one another, but they constantly feel the pinch of the competitive rivalry

of entrepreneurs who in pruning costs invariably begin by pruning wages, increasing hours, or neglecting the physical conditions of employment.

Because the competitive struggle slips so easily into the channels of abuse, the state steps in to assure fair competition by penalizing fraud and dishonesty, dissolving monopolies, and, through labor legislation, preventing unfair labor practices.

4. *Monopolies.* Strange as it may seem, capitalism, which in its orthodox form is based upon free competition, has manifested a conspicuous tendency toward monopoly. Combinations are constantly appearing to provide escape from the logical consequences of free competition. The evidence of this tendency has already been cited¹⁵ and need not be repeated here. Capital is consolidated, interlocking directorates are created, special concessions in natural resources are sought, tariffs and subsidies are obtained from legislatures through well-financed lobbies, and open-price associations are formed. In these and other ways efforts are made to control supply in order to control price and eliminate competition. The advantages of large-scale production have encouraged this drive toward monopolistic organization. The significance of this tendency for the laboring class has been discussed in the preceding pages.¹⁶ Here it is sufficient to recall that the power of individual workers and even large combinations of workers is hardly great enough to guarantee success in bargaining with such corporate giants as are born of monopoly. Nor must it be forgotten that labor unions themselves are frequently characterized as "conspiracies in restraint of trade."

5. *Trademarks, Copyrights, and Patents.* Both competitive and monopolistic enterprises often have their origin and owe their growth to such legal arrangements as trademarks, copyrights, and patents, which are sanctioned and encouraged by governments as a stimulus to creative thought and action. Such arrangements are merely a special form of private property and are justified on the grounds that they tend to encourage and improve the industrial arts and the sciences. Under modern capitalism all of these forms of property rights have expanded

15. Chapter 3.

16. Chapter 3.

amazingly and have yielded extraordinary results. Indeed, from them have emerged the technological triumphs of our industrial system which, as we have seen, constituted the basis for the rise of modern capitalism and which, as we shall see later,¹⁷ constantly and vitally affect the work and life of the laboring class.

6. *Inheritance.* Private property involves the right to acquire, possess, enjoy, and dispose of things. Inheritance is an extension of that right to make possible the transmission of property at death to relatives, friends, or institutions. Enlightened wage earners and their leaders have always evinced a deep interest in inheritance as a legalistic economic institution. The reasons for this interest are apparent. Inheritance makes possible the bestowal of wealth upon those who have extended little or no effort in its production and accumulation. Hence, it frequently contributes to economic and social parasitism. Then, too, inheritance often encourages the concentration of wealth, with its consequent concentration of ownership and control over industrial enterprises. The workers fear, and not without reason, every tendency toward concentration of industrial ownership and control. It is not strange, therefore, that modern revolutionary movements have severely indicted inheritance, and that such an indictment has won general approval among the working class. Recognition of the dangers of inheritance and wholesale criticism of it have resulted in increasing restrictions upon it. The right of inheritance is no longer recognized as absolute, and there is a marked tendency to limit it by means of heavy taxation.

7. *Economic Co-operation, Contracts, and Agreements.* Viewed in its entirety, the present economic system may seem to be so completely and so ruthlessly competitive that it precludes the possibility of co-operative effort. This is true of the struggle between economic units, but within each unit the contrary is true. Paradoxical as it may seem, modern capitalism has demonstrated convincingly that competition can be successful only when it is based upon the principle of co-operation. Even under a regime of private ownership, the production, distribution, and exchange of commodities and services are essentially co-operative ventures in that they rest upon division of labor and respon-

17. Chapter 6.

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sibility. When co-operation is not forthcoming, private enterprise becomes uneconomical and inefficient, and bankruptcy is inevitable. Our economic mechanism is stalled frequently because of friction that develops between employers and employees and disputes that find overt expression in lockouts and strikes. Once a settlement of the dispute is completed, employers and wage earners resume co-operative efforts in the production of goods or the provision of services.

Contracts and agreements, which generally have a legal basis and sanction, are no less important in the structure of a capitalistic economy than is private property itself. The state throws its legalistic protective arm around both, provided their application does not affect the public interest adversely. Contractual arrangements, whether legally affirmed or not, constitute the foundation of associated, co-operative relations and activities in the economic order. Freedom of contract under capitalism is the essence of economic freedom; it presupposes the right of men and women to enter into binding agreements and imposes the responsibility of performance. The power of the state thus is marshaled behind agreements concluded voluntarily. The doctrine of "freedom of contract" is frequently invoked in constitutional tests of protective labor legislation, and constitutional safeguards against involuntary servitude have had a significant influence upon the enforceability of trade agreements concluded by employers and labor organizations.

8. *Economic Interdependence.* As we have already seen,¹⁸ division of labor and the mechanism of exchange have assumed a position of paramount importance in our modern economic system, an infinitely more significant place than was possible or necessary under simpler economies. The application of machinery and the development of large-scale production have resulted in minute specialization of tasks, and the process of subdivision seems to be limitless. The production, distribution, and exchange of goods and services is an extremely complicated process, involving superior intelligence, co-operation, and mutual dependence. Ours is an age of minute economic interrelations and interdependence, and, despite irrational movements for national economic self-sufficiency, nations, like individuals, are necessarily caught

18. Chapters 2, 3.

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in an intricate web of such relations. Complete self-sufficiency is almost inconceivable, and nations are forced to pay a high price for even an approximation to it. The influence of increasing specialization and subdivision of labor upon the life of the wage earner is analyzed in a subsequent chapter.¹⁹ It is sufficient here to point out that depersonalization of labor is frequently the inevitable result of this tendency. Labor's relation to the finished product has grown increasingly remote, not only because the process of production has become minutely intricate and impersonal, but because an even more intricate mechanism of exchange now stands between the craftsman and the ultimate consumer.

9. *Social Stratification.* The development and status of economic classes in the United States have received our attention in the early pages of the present chapter. Here we are concerned only with the need for relating the rise of economic classes to the structure of capitalism. It has been observed that the structure of capitalistic economy is naturally aristocratic, since a large majority of individuals are necessarily subject to the authority and power of a few economic agents.²⁰ At the basis of what may be called our "aristocratic capitalism" is, of course, the tendency toward occupational specialization and functional separation. This dominance of the minority has been explained by the fact that our intricate system of production, distribution, and exchange requires a high standard of technical knowledge and organizational skill which precludes direction and control by individuals of average ability.²¹ Be this as it may, the fact remains that economic stratification is a characteristic of our economy. Social classification, moreover, rests very largely on the possession of wealth. It may be unfortunate but it is true that "the power to spend freely is the most widely recognized test of social status."²² Conspicuous consumption and ostentatious display may, as Thorstein Veblen pointed out, constitute a more important drive to economic activity and accumulation than the traditional self-interest. Social stratification, resting as it does upon vested economic interests, definitely colors points of view and attitudes toward problems

19. Chapter 5.

21. *Ibid.*

20. Sombart, *op. cit.*, p. 199.

22. Ely, *op. cit.*, p. 17.

of human relations in industry. Social esteem is not bestowed upon manual labor.

SOCIAL INSTITUTIONS AND THE LABOR PROBLEM. Only brief reference is possible here to the influence of social institutions upon problems of labor relations. But the influence of such social institutions as the family, the school, the church, the press, the service club, and public opinion is unmistakable. It is in the family circle that attitudes and judgments concerning the merits of the employer's and the laborer's case are often formed, and it is within the family that there arise the needs that impel the wage earner to seek economic improvement through collective action.

Next to the home, sometimes superseding it in breadth of influence, is the schoolroom, where impressionable minds may, under intelligent direction, be taught the art of critical, impartial examination of industrial disputes, of numerous other problems of labor relations, and of the methods and agencies of readjustment.

The church has from time immemorial exercised considerable influence over economic affairs. From the first centuries of the Christian era, when it emphasized the dignity of labor and denied the validity of human slavery, to the present time, the church has directly or indirectly, sometimes negatively and sometimes positively, influenced employment relations. In the Middle Ages that influence was especially pronounced as the concept of economic justice found articulation through the idea of *justum pretium*, embodied in canon law and expounded by such distinguished scholastics as Thomas Aquinas.

There are many who believe that the church in all its divisions has yielded to the acquisitive philosophy of capitalism and in her defense of the sanctity of property and contract has failed to recognize adequately and with sufficient sympathy the cause of the wage-earning class. This is certainly not altogether true, as everyone who is familiar with the pronouncements and work of Charles Kingsley in the Protestant church and Pope Leo XIII in the Catholic Church of the nineteenth century must admit. Nor should one forget the courageous position taken by the Inter-Church World Movement and the Federal Council of the Churches of Christ in major industrial disputes, such as

the great steel strike of 1919. Unfortunately, it is true that the Christian ministry is too often silent when economic justice is at stake and that its point of view is much too frequently shaped by the upper- and middle-class composition of its membership, which is likely to be unfriendly or indifferent to labor's side of the industrial conflict.

The press is generally acknowledged to be a potent force in shaping public opinion, and it is a force that in innumerable instances has been thrown to the side of employers. Undoubtedly, the vast majority of our metropolitan dailies make an honest effort to obtain and present accurate news of industrial disputes, but in many such disputes the news reports have been characterized by both inaccuracy and prejudice. Editorials are quite likely to manifest a stronger bias than news stories. This is especially true of those newspapers that are owned and controlled by individuals or groups opposed to unions or the union shop. The tendency of the press to favor capital rather than labor is quite understandable when one remembers that the principal financial support for newspapers is drawn from advertisements placed for the most part by business firms which are employers of labor. On the other hand, recent years have witnessed a growth of the fear that the unionization of editorial writers and reporters might bias the press in the opposite direction.

In the United States, at least, a myriad of service and discussion clubs have become foci of influence. Organized as they are by individuals from the middle and upper classes, it is too much to expect that their point of view and attitude in industrial controversies will be impartial. Only the employer's side of the dispute is likely to receive a hearing. This is equally true of chambers of commerce and other bodies whose membership is drawn chiefly from employing and professional groups. Anyone who has attempted to present an impartial analysis of a particular industrial conflict knows well how difficult it is to obtain a fair hearing. In this respect, it should be noted, the ordinary trade union registers no better attitude. The workers and their leaders are quite likely to be impatient with any attempt to explain or justify the employer's side of a given controversy. Radical groups, like reactionary groups, make no pretense to fairmindedness and impartiality, since

they are bent on the overthrow of capitalism and promotion of class war rather than industrial peace.

It is very clear, then, that the influence of pressure groups upon problems of human relations in industry is powerful. Frequently it is a constructive influence, issuing in support of both desirable labor legislation and an impartial hearing of each disputant's side in the industrial conflict. Often, it must be admitted, the influence is negative, preventing an intelligent, progressive understanding of crises in employment relations and obstructing the advance of protective labor legislation. How to cultivate and assure intelligent public opinion on economic matters, particularly labor economics, is a major problem of our generation.

POLITICAL AND LEGALISTIC INSTITUTIONS IN RELATION TO LABOR PROBLEMS. Because we shall examine in detail later the legal aspects of labor relations,²³ it is necessary here to point out only in a general way how legislatures, the law, and the courts affect the problems that arise in industrial relations. The influence of these is definitive and far-reaching, since labor-employer disputes are quite likely to impinge upon legal rights of property and contract and constitutional guarantees of economic freedom.

Wage earners, particularly those who have identified themselves with labor unions, are quite aware of the important influence which political and legal institutions may have on the economic status and progress of the masses. Local, state, and federal administrations and legislatures may be friendly, unfriendly, or neutral in labor controversies. Organized labor constantly seeks to insure a sympathetic attitude toward the cause of labor by "electing labor's friends and defeating labor's enemies." Moreover, labor federations maintain labor lobbies to influence legislation in municipal councils, state legislatures, and Congress.

The significance of a friendly national administration was never so obvious as it has been in the United States since 1932. Avowedly sympathetic with the cause of the laboring population, the administration of Franklin D. Roosevelt has been responsible for the most important social and labor legislation ever enacted in this country. Beginning

23. Chapter 31.

with Section 7(a) of the National Industrial Recovery Act (1933), which guaranteed the right of wage earners to organize and bargain collectively through representatives of their own choosing, a series of major measures have been passed which give the workers unprecedented protection.

Notable examples of the extent to which labor may benefit under a definitely friendly political administration are the Social Security Act (1935), which provided for unemployment compensation and other forms of social insurance; the National Labor Relations Act (1935), which introduced protection of labor's right to organize and bargain collectively through freely chosen representatives; the Wagner-Peyser Act (1933), which established a federal employment service; and the Fair Labor Standards Act (1938), which placed a floor under wages and a ceiling over hours of labor in industries subject to interstate commerce laws.

On the other hand, employers have complained bitterly of government partiality and paternalism in labor relations and have opposed the rapid expansion of protective labor legislation as economically unsound.

The legislative, executive, and judicial branches of the government must necessarily interest themselves in problems of labor relations. Because of the separation of powers, however, there may be no unity or co-ordination in the points of view and attitudes of the three branches. This has been demonstrated repeatedly in the United States, where the judiciary has nullified on constitutional grounds progressive labor laws enacted by Congress and approved by the president. The traditional conservatism of the courts, functioning as they do on the basis of precedent and a restricted interpretation of constitutional provisions, has frequently obstructed the advance of social legislation. The extensive influence of the courts in the domain of labor law is fully revealed in the cases that will command our attention later.²⁴

C. GEOGRAPHICAL FACTORS

GEOGRAPHICAL FACTORS IN LABOR RELATIONS. The failure of the natural environment to yield freely and spontaneously unlimited quantities of

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commodities for the satisfaction of human wants is the foundation of economic activity and economic systems. Things are scarce, therefore effort must be expended in procuring the necessary supply, and economical use of them must be encouraged. Whether the principal cause of scarcity is to be found in the parsimony of nature or in the insatiability of human desires, the fact remains that, taking the world as a whole, things are scarce and must be economized. The choice of alternatives before us is the extension of effort or the practice of self-denial. Thus the necessity for labor, out of which emerge the problems of human relations with which we are concerned, is the basic fact behind the economic organization of society.

A nation's standard of living rests primarily upon the existence or availability of natural resources, which have been defined as "those aspects of man's environment that render possible or facilitate the satisfaction of human wants and the attainment of social objectives."²⁵ Such resources consist of those materials which may be converted into useful commodities that become the objects of trade and provide the means of subsistence for the population.²⁶ It is evident that welfare and progress of the laboring class are dependent upon the successful exploitation of natural resources and that the status of the workers is quite likely to be more favorable in a naturally rich country than in a naturally poor one. We say "likely to be" advisedly, since, in the final analysis, what labor gets as its share of the-product will depend as much upon an equitable system of distribution as it will upon an efficient system of production.

During the last two centuries greater advance has been made in the control and exploitation of the natural environment than was made in several thousand years preceding the rise of modern industrialism. "Inventions which are making possible progressively greater utilization of natural power are relieving the human race from the slavery and drudgery of former times and are encouraging the manufacture and use of automobiles, aeroplanes, radios, and other devices not even dreamed

25. Erich W. Zimmermann, *Encyclopaedia of the Social Sciences*, vol. 2, p. 290.

26. Cf. J. Russell Smith, *Industrial and Commercial Geography*, rev. ed. (Henry Holt, 1925), p. 675.

of a few centuries ago.”²⁷ Such material progress would have been impossible without natural resources, since these are the basis of technological advance and the increase of wealth. It is impossible to comprehend the potential improvement in the standard of living for the masses unless we recognize the causal relation that exists between material resources, on the one hand, and industrial prosperity and general social well-being, on the other. The continued advance of civilization depends upon naturally accruing raw materials.²⁸

The existence and availability of raw materials are largely responsible for the relatively high standard of living in countries such as the United States, Great Britain, Canada, and Australia in contrast to the relatively low standard of living in countries which have meager natural resources, as Italy and Japan. This is not to say that resources alone are responsible for a high standard of living, since the subjective factors of intelligence, inventive genius, industry, and thrift are very important. It may be admitted that “possession or acquisition of raw materials in abundance is not the only requisite of national prosperity,” but there has been a close correlation between the two in the development of the Western World.²⁹

Because of available natural resources, the future economic status of the wage-earning class in the United States should be a promising one. The United States is the world's wealthiest nation and the per capita income of its people far exceeds that of any other people, even that of Great Britain, Canada, and Australia, which are nearest to its level.³⁰ The factories or refineries of the United States consume two-thirds to three-fourths of the world's annual output of petroleum, rubber, silk, and copper; one-half of the timber and iron ore; nearly one-half of the

27. Hugh B. Killough and Lucy W. Killough, *Raw Materials of Industrialism*, p. 3.

28. *Ibid.*, p. 4.

29. *Ibid.*, p. 5.

30. In terms of 1913 dollars per capita incomes are approximately: United States, \$541; Canada, \$401; United Kingdom, \$293; Australia, \$304; Germany, \$199; France, \$188; Italy, \$96; Russia, \$62; Japan, \$53. Simon Kuznets, *Encyclopaedia of the Social Sciences*, vol. 11, p. 206. See chapters 8 and 9 for a full discussion of this subject.

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coal; one-fourth of the cotton; one-fifth of the wool; and more than our per capita share of foodstuffs.³¹ With the exception of rubber, manganese, nickel, chromite, tungsten, wool, potash, tin, antimony, and mercury, the United States is quite self-sufficient. In her uneven distribution of basic commodities throughout the regions of the earth, nature generously deposited a disproportionate share on the North American continent, a fact which explains the enviable material position of the United States among the nations. Although there is naturally a limit to these resources, and the supply of many of them is rapidly diminishing, economic opportunities for our people are not necessarily in danger of decreasing. "If it appears true, it is due to the shortcomings of our financial and industrial system, and . . . our irrational method of distributing wealth and holding property," says the noted economic geographer, Professor J. Russell Smith.³² He believes, moreover, that "despite our reckless waste of resources there is good reason for the belief that the total *available resources* of the world are increasing quite as rapidly as the population and that they may continue to do so for some time to come."³³ One of the principal reasons for such an increase in natural resources is the remarkably rapid advance of science in discovering and applying new ways of utilizing resources. Such discovery and application make possible the employment of increasing quantities of capital and labor, which should constitute a basis for progressive improvement in the status of the underprivileged. Whether that improvement will be realized depends upon a number of factors which are treated in our subsequent analysis.

Questions for Class Discussion

1. What relation is there between the quality and quantity of population and the labor problem?
 2. Are hours, conditions of employment, and wages likely to be affected in any way through the medium of international trade? If so, is this problem definitely related to the problem of population?
 3. What would you regard as the most important forces contributing to
31. Killough, *op. cit.*, p. 5. 32. Smith, *op. cit.*, p. 675. 33. *Ibid.*

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urbanization of population in the United States? Do you think there is any reason to expect a reversal of the trend of population?

4. What evidence is there to support the theory that increasing urbanization inevitably results in accentuating problems of labor relations?

5. Of what significance are economic stratification and occupational distribution in the development and persistence of labor problems?

6. Do you think the evidence substantiates the claim that the United States is a country in which the middle class is tending to disappear and the laboring class to increase? Whichever tendency is true, of what importance is it for the future of employment relations?

7. What do you understand is meant by an institution, and how are institutions related to the current problems of social life?

8. What economic institutions most specifically and directly influence human relations in industry?

9. How are such social institutions as the family, the school, the church, and the press likely to affect the public's conception of and attitude toward problems of labor relations?

10. In what ways and to what extent are the status of employment relations and the progress of the wage-earning class dependent upon legalistic institutions?

11. What reason is there for believing that geographical factors have primary importance in determining the position of the laboring population and affecting labor relations?

12. Is the development of labor problems in the industries of a nation precluded if its natural resources are abundant?

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Chapter 5

PSYCHOLOGICAL FACTORS

¶ THE HUMANISTIC CONCEPT OF LABOR. In recent years considerable attention has been given to the influence of machine industry upon the personality of the worker—his mental faculties, his psychological behavior, his freedom, his independence, and his whole concept of life.¹ The success of the machine, it is urged, must be measured not in terms of its ability to produce profits for a privileged few but rather by its effect upon the general standard of life, especially that of the working class. Such a thought implies the rejection of the commodity concept of labor and the acceptance of what may be called the humanistic concept.

The central idea in the humanistic concept of labor is that labor is not a commodity, not a mere inanimate element in the processes of manufacture or just a calculable economic quantity which, like any other commodity, enters into the expense of production. Labor is inseparable from the personality of the worker and has all the instinctive and acquired human traits which that undivorceable relation implies. The worker, as the embodiment of labor power, must therefore be elevated above the plane of lifeless raw materials and inanimate machines. The humanistic concept accords to labor the dignity it deserves, and its acceptance is essential to equitable treatment. The commodity concept, on the other hand, usually implies the right of the employer to purchase labor power on the cheapest market and to keep the price low regardless of its effect upon the worker as a human being in a civilized community. It also implies that the workers have not the right to combine for the purpose of manipulating the labor market for

1. See references at the end of this chapter.

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their own advantage. Strangely enough, the protagonists of this theory do not deny to the owners of capital this right of combination and manipulation.

THE ELEMENTS OF HUMAN NATURE. The humanistic concept of labor posits the idea that in their fundamental nature human beings in factories, mills, mines, and workshops are not essentially different from human beings in any other station of life. The workers have the same basic traits as those who employ them. The same mainsprings govern the functioning of the human machine everywhere. The behavior pattern of each individual is woven by those simple reflexes that appear so conspicuously in the functional life of the physical organism in its early years and by those impulses and rationally determined modes of conduct that characterize adult life. The meaning and content of life for any organism are the result of certain inborn and acquired traits and the molding forces of environment.

Man's original nature consists of reflexes, instincts, and predispositions to behavior that cause him to react in certain ways to the stimuli of his environment. These reactions are the unlearned ways of the organism; they constitute the biological heritage which, through the long process of evolution, has been found useful in conquering the environment or facilitating adjustment to it. The stream of life has its source in these inborn proclivities; they are the prime movers of human activities, helping to fashion every thought and act.² They are the habits of race, which manifest themselves when conscious and rational processes of thinking fail to provide more desirable and effective forms of conduct.³

Human behavior cannot, of course, be fully explained in terms of instincts alone. These may be the prime movers, the mainsprings of action and reaction, but they do not completely dominate the life of the organism. Reason, intelligence, habit, emotion, and numerous forces in the general social environment of the individual are potent modify-

2. See: Thorstein Veblen, *The Instinct of Workmanship*, p. 1; E. L. Thorndike, *The Original Nature of Man*, p. 4; William McDougall, *Introduction to Social Psychology*, pp. 29, 44.

3. Frank Watts, *Introduction to the Psychological Problems of Industry*, p. 175.

ing factors. Man possesses learned ways of behavior that come to him through the mores, customs, traditions, ideas, ideals, and practices of his group. If the instincts constitute his first nature, these learned ways constitute his second. Suggestion, imitation, and other agents aid in molding these acquired reactions. Life is likely to be richest and most complete when the learned and unlearned ways are co-ordinated into a balanced pattern of behavior. Complete surrender to impulse and emotion is disastrous; cold calculating rationalism is inadequate. The basic human traits must be given the freest possible expression compatible with the achievement of desired social objectives.

REPRESSION OF THE INSTINCTS. Self-realization for every individual to the utmost of his capacities is the only acceptable objective of any civilization, machine or otherwise, provided the requirements of self-realization do not conflict with the best interests of society. Modern industry has been severely indicted for its tendency to obstruct this process of self-realization. Instinct repression rather than intelligent instinct direction has prevailed, with the inevitable result that the working class has lost its confidence in the ability of modern industry to give the workers adequate opportunities for self-expression. Attempts to repress fundamental human traits, however, are likely to meet with only temporary success.

Denied positive and legitimate expression, these basic desires find perverted, illegitimate outlets and manifestations. Intelligently controlled and directed, the instincts impel to progress; repressed, they result in violent retrogression.⁴ Repression, it has been observed, dams up a flood that ultimately may burst through and destroy the institutions the race treasures most.⁵ Peace, efficiency, and co-operation in industry can never issue from suppression of natural human desires and predispositions. An impulse may take its outlet in normal activity and be sublimated into acceptable forms of behavior, it may assume the form of a violent reaction, or it may be repressed and turn its tide of activity inward for a time. But it cannot be destroyed. Intellectual and moral pathology are the inevitable sequences of suppression.⁶

4. See W. G. Everett, *Moral Values*, p. 162, and Watts, *op. cit.*, p. 175.

5. Watts, *op. cit.*

6. John Dewey, *Human Nature and Conduct*, p. 157.

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In considering the importance of the instincts in industry, it is well to remember a fact long since established in psychological science, namely, that behavior under the stress of anger, fear, pain, and hunger is fundamentally different from behavior under repose, contentment, and economic security. The former set of psychic states issues in discontentment, friction, lack of co-operation, wastefulness, and inefficiency; the latter conduce to industrial peace, harmony, co-operation, and productivity. A revolt psychosis develops from repression of basic predispositions. This may manifest itself in quiet, peaceful sabotage, inefficiency, and concealed methods of obstructing productivity; or it may come about in violent, open revolt against a particular industry or against the entire economic system.

The environment of modern industry often contains conditions and forces that encourage a state of psychic disturbance and unrest, among which are repetitive tasks, dangerous physical conditions of employment, undesirable standards of hours and wages, autocratic management and excessive paternalism, espionage, industrial fatigue and denial of collective bargaining.⁷ A brief résumé of human traits in their industrial significance will suffice to reveal the nature of the problem implied in this situation.

THE DESIRE FOR CREATIVE EXPERIENCE. Normal human beings have a genuine urge to create things and to manifest pride in the product of their own ingenuity, insignificant as such a product may be and often is. This desire is often referred to as the "instinct of workmanship," the "creative impulse," and the "urge to contrivance." The craftsman likes to identify his work with his own personality and ability. The contents of the pay envelope are not sufficient to yield the satisfaction he craves; there must be some opportunity for the spontaneous expression of his own mind, some chance to impress his own individuality upon his work.

Modern industry is severely criticized for its failure to appeal to the instinct of workmanship and to offer opportunities for creative experience. Quantity production rather than quality of workmanship is likely

7. For a detailed analysis of this subject see Carlton H. Parker, *The Casual Laborer and Other Essays*.

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to be the result of mass production and standardization. Artistic work, so prevalent in ancient civilizations, is said to be vanishing from modern industry; the cash nexus is becoming its undisputed successor.⁸ All this is attributed to machine processes and large-scale production, which imply minute specialization of tasks, repetitious and monotonous operations, physical strain, excessive speeding up of work, rigid discipline and close supervision, and dehumanized, impersonal relations.

Especially do these results manifest themselves where the automatic machine has been introduced, but they are inherent in the whole system of modern industrialism. The worker is subordinated to the machine process. Once he owned his tools, prescribed his own hours of labor, set his own day's work, fixed his own speed, and planned his own methods of procedure. Now his tools and machinery are owned by persons whom he never sees and cannot know, the machine is timed and set for him, his work is planned and scheduled by specialists, his raw materials are methodically routed with perfect precision to assure uninterrupted production, and he is closely supervised by bosses.

The worker's degree of self-direction and independence is diminished as the machine is perfected. He is forced to adjust his physical and mental powers to the time and rhythm and functioning of the machine; his activities must be co-ordinated with those of numerous others who, like himself, are subject to the pace of a common driving mechanism. He merely feeds the machine and takes from it the produce it continuously yields in an unvarying manner with clocklike precision.⁹ Mechanical science has thus reduced the importance of the worker's personality to a minimum. Whereas once his individuality was reflected in his product, he now can call no product his own since thousands of others may have shared in its output. Under such conditions a creative interest in work is difficult, to say the least.

THE PHYSICAL EXACTIONS OF THE MACHINE. It must not be understood that the physical exactions of machine industry are on the whole greater than those that existed under hand processes. In fact, the ma-

8. Cf. A. E. Zimmern, *The Greek Commonwealth* (Oxford, Clarendon Press, 1931), p. 260.

9. Cf. Arthur Pound, *The Iron Man in Industry*, p. 42.

chine has greatly reduced the amount of purely muscular energy required of the worker. The ever increasing tendency is to bring within the functions of the machine all of those operations that can be reduced to an automatic basis and that involve great physical strength and exacting routine. The machine thus makes possible greater output with less physical energy. The machine, moreover, has been responsible for a considerable reduction in the working day and the creation of more leisure time. In innumerable instances it has purged work of its depressing drudgery and made the task lighter. When we think in terms of physical strain and intensity of effort, however, the results are not so reassuring. Even machines such as the linotype, which allow a goodly measure of self-direction for the worker, exact such a high speed that the task is far more exhausting than under the hand processes.¹⁰ Conformity to timed and speeded-up machines greatly increases the labor strain.

MACHINERY AND THE MENTAL LIFE OF THE WORKER. The effect of machine processes upon the mental life of the worker has occasioned considerable speculation. Many credit the machine with a constructive influence upon his intellectual faculties, others debit it greatly. The friends of the machine urge that it takes away manual forms of skill but substitutes higher and more intellectual forms, its increasing delicacy requiring greater judgment, alertness, and precision.¹¹ There can be no doubt that for certain classes of workers the advent of the machine has resulted in greatly increased mental activity. As the embodiment of natural law, the machine excites curiosity and stimulates powers of observation. Of those who organize and direct modern industry it exacts powers of careful judgment, attention, and speculative imagination. For such persons the complexity and intricacy of the machine is undoubtedly stimulating and educative.¹²

It is frequently contended that this educative influence of the ma-

10. Cf. George E. Barnett, *Chapters on Machinery and Labor* (Cambridge, Harvard University Press, 1926), p. 24.

11. Alfred Marshall, *Principles of Economics*, 8th ed. (London, Macmillan, 1920), pp. 256-7.

12. John A. Hobson, *The Evolution of Modern Capitalism*, rev. ed. (New York, Scribner's, 1916), p. 344.

chine extends to its attendants, whose alertness, interest, buoyancy, general intelligence, and capacity are said to exceed greatly the degree in which these qualities were possessed by the old handicraftsmen. This would give the machine a considerable balance of credit. It is stated that such an effect tends to exist for two reasons. In the first place, the machine relieves the worker of the most mechanical and the less interesting elements of his task, and, second, the mere contemplation of an efficient mechanism such as the modern machine in operation is a source of great mental stimulation and training to those who are capable of comprehending its real functions.¹³ If this is true, the positive educational influence of the machine can hardly be denied. Its validity depends to a considerable extent upon the nature of the machine.

In many industries where the semiautomatic machine predominates, there is undoubtedly still some scope for freedom and creative activity on the part of the operative, but even here there is a definite tendency to reduce progressively the amount of human skill to a minimum. In the case of the automatic machine, this tendency is accentuated so that the amount of trade skill, knowledge, and experience required of the operator is negligible. This is evidenced by the fact that for most automatic machines only a few days or weeks of training are necessary. Monotonous operation characterizes the automatic machine. Take, for example, the worker in the modern automobile plant. "Each man," says Arthur Pound,¹⁴ "performs the same task over and over: tightens identical nuts, lifts identical parts off a rack, and applies each one of them precisely to a something that is exactly like its predecessor to the thousandth of an inch. This accurate, monotonous toil goes on swiftly, amid hissing air-valves and paint streams, roar of drying ovens, clatter of tools, thunder of trucks arriving and departing." This writer concludes that roustabouts enjoy far more of the luxury of variety in toil than do machine tenders in factories. It is easier to believe, therefore, that instead of stimulating the worker's intellectual faculties, such

13. T. N. Carver, "Machinery and the Laborers," *Quarterly Journal of Economics*, vol. xxii, 1908, p. 231.

14. *Op. cit.*, p. 44.

repetitious operations dull his mind and incapacitate him for creative and contemplative thought.

The automotive industry is not an isolated example of the injurious effects of a deadening routine. Wherever the semiautomatic machine is installed there will be found the suppression of creative intelligence and the fatigue that issues from monotony. When the machine is semi-automatic the worker merely feeds materials into it directly, or places them on moving conveyors or into a reservoir. When, as is increasingly the case, the machine is almost completely automatic, that is, self-driving, self-operating, and self-feeding, the worker is merely an attendant functioning in emergencies, occasionally bringing to it the necessary stock, and removing the finished product. One need but watch the men and women in fruit, vegetable, and meat packing, in the manufacture of textiles, shoes, and cigarettes, or in almost any modern manufacturing and packing plant to discover the completeness with which the machine dominates the worker. Exacting speed, monotonous routine, subjection to the tempo of the mechanism, and repetitive movement—these are among the things that distinguish mechanized industry from genuine handicraft.

Because of the interrelation and interdependence of the numerous jobs and operations, the worker in modern machine industries has to be more alert and has to assume more exacting responsibilities than did the old handicraftsman, but his interests are narrower, his judgment less original, and his occupational vision more circumscribed. He is not required to understand the internal mechanism of the machine he operates and his understanding of the minutiae of jobs related to his in the output of the final product is slight. The structure and functions of the industry and even of the plant in which he works are practically unknown to him. The final product is not his own, for numerous other workmen co-operated in the process that turned it out.

THE COMPENSATIONS OF MONOTONY. There is another side to the problem of monotonous, uncreative work that must be recognized in any balanced discussion of the subject, namely, its advantages and its appeal for certain classes of workers. Man needs a measure of monotony in work, since frequent movement from one operation to another is likely

to be irksome. The repetitious operations of the machine, moreover, release the worker's attention so his mind is able to ponder over many things, including the injustices of modern industry that affect his work and life. Then, too, the monotony of machine industry is the price we pay for the benefits obtained in a highly organized and complex economic society—comforts and conveniences unprecedented in the history of mankind. Return to the simplicity of earlier civilizations would deprive the race of many desirable appurtenances to which it has become accustomed.

Perhaps something can be said even for that dubious advantage of machine industry, namely, its tendency to make possible the productive employment of workers of low mentality. Enough sense to master the simple routine of the job and to appreciate the necessity of keeping in step with one's fellow-workers is all that is required in many kinds of employment in automatized industries. It was not a facetious observation that prompted the remark that "morons make the best machine tenders." The worker of low mentality does not resent the subordination of his own personality to the machine. "There is less in his soul striving to release itself; he has brought into the shop comparatively little that the shop cannot use, and so he accepts dumbly his appointed place in the scheme of things industrial, remains unbitten by ambition and reacts not at all against subordination. The less mind one has, the less it resents that invasion of personality which is inseparable from large-scale and mechanized industries." ¹⁵

The effect of such a regime upon the future of democratic institutions certainly is not reassuring. In transferring to the machine and the planning department all the requisites of skill, modern industry may be paving the way for the cultivation of a comparatively few individualities at the expense of the many. Such a result is hardly desirable socially, regardless of its advantages economically; it encourages the regimentation and subordination of individuality which are so eagerly cherished by the dictatorship totalitarian states.

THE INQUISITIVE URGE. Closely identified with the creative impulse is the urge of curiosity or inquisitiveness. This is the impelling desire

15. *Ibid.*, p. 54.

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to draw near to things and manipulate strange situations. This predisposition is almost reflex in its simplicity. The tendency of modern industry to make specialists responsible for the designing of machines and the planning, routing, and scheduling of work and materials is not calculated to stimulate the instinct of curiosity in the great mass of laborers. The operative is not expected to grow inquisitive with regard to the internal mechanism of his charge, much less to make without sanction such improvements in the device as may appear to him to be advantageous. Through suggestion systems many companies are encouraging the exercise of curiosity on the part of the workers, but this practice loses much of its incentive value when the workmen realize that in return for a small bonus the company may reap considerable financial gain.

THE DESIRE FOR PLAY. Men and women do many things for the sheer joy of doing them—things that apparently have no conscious objective. These they do in response to the play urge. An abundant opportunity to engage in activity just for the sake of activity is often identified as an essential condition for creative achievement. Human beings seem to work best and most creatively when they play a great deal. The example of ancient Athens in the palmy days of her creative art and athletic prowess is frequently cited in support of this belief. Undoubtedly creative and productive work is quite possible apart from indulgence in play, but that the two are often closely related can scarcely be questioned. In all probability the desire for creative workmanship, whatever its manifestation, originates as a specific variation of the play impulse and achieves its greatest work where individuals possess an abundance of physical and psychic energy in excess of the ordinary requirements of daily life. In divorcing work and play, therefore, modern industry is destroying a great source of inventiveness and proficiency. There is admittedly little room for play in the modern workshop, where rigid, autocratic discipline, monotonous work, high speed, and the pressure of tasks involving a high degree of concentration and attention allow neither time nor energy for the playful contemplation of work.

Many industrial psychologists believe that the low-grade amusements

and excesses of the masses represent a sort of defense mechanism against the deadening influence of dulling toil, a compensatory indulgence for the loss of older and more sane forms of self-expression, a violent play reaction which constitutes a pathological protest against the drab monotony of existence in the beehives of modern industry. The central truth of such a contention is evident to all who are familiar with the working class. Physical and nervous exhaustion invariably drives men and women to excesses in play and amusement. In the United States and other industrialized nations progressive corporations and communities have recognized this problem and are taking steps to solve it.

SELF-ASSERTIVENESS AND SELF-NEGATION. Many individuals desire to rise above the dead level of mediocrity, to achieve distinction, to build better than their fellows. This desire is identified with the impulse to self-assertion, sometimes characterized as self-display, mastery, domination, and ostentation. Leadership and achievement spring spontaneously from this urge. It accounts for the rise of trade-union leaders no less than for great statesmen and the captains of industry. Our economic system, founded on the institution of private property, is universally eulogized for its challenge to initiative, enterprise, and ambition. There can be no doubt of its stimulating influence in this regard, but we are inclined to forget that in the common maws of the workshop the opportunity for self-assertion, enterprise, and the expression of originality is relatively slight for the major portion of the workers.

Managers, superintendents, department heads, foremen, and straw bosses are not generally given to the encouragement of self-assertion on the part of the rank and file. Indeed, the opposite tendency is all too common. Individuality and self-assertiveness are suppressed, and a spirit of docility, meekness, and sheepish obedience is cultivated. Conformity rather than self-direction or self-assertion is the rule of machine industry, the result, no doubt, of the reign of standardization, systematization, and quantitative measurements with all their refinements of precision. Only when they are sufficiently well unionized to demand it, are the workers likely to be conceded the right to discuss the nature and content of work or to have a voice in the determination of the conditions that surround it. Under modern industrialism with its ac-

centuation of private property and its spirit of individualism, these are the established prerogatives of management. Such a situation breeds a self-destructive conservatism and timidity and cultivates an inferiority complex that kills originality and initiative. But it is very evident that: "To take from men the opportunity for exercising initiative and judgment on the score that such exercise hinders speedy production, without providing alternative methods of self-expression along the same lines, is an affront to the instinctive nature of man."¹⁶

In American industry, as we have seen,¹⁷ the presence of large numbers of aliens, unable to read, write, or speak the English language with any degree of facility and for the most part economically very dependent, has encouraged the growth of arrogant domination on the part of those in supervisory positions and the suppression of workers' attempts to assert their own individualities.

Diametrically opposite to self-assertiveness is the predisposition to self-submissiveness, which flourishes under the influence of inferiority complexes. Many persons like to be directed, supervised, bossed, and led. They execute joyously what others have planned, and follow with blind devotion where others lead the way. Such persons do not crave responsibility, dislike situations that require independent action, recoil from expressing their own opinions and judgment, and are distressed when leaderless. This attitude of self-negation is sometimes born of the fear of self-initiated and self-directed action, sometimes of intensive admiration and reverence for established leaders, and sometimes of individual lassitude and inertia. A certain amount of this trait is desirable in the building of individual character and the constructing of a workable economic and social organization, but when it becomes an abnormality it creates a servility that is subversive of the noblest ideals of a democratic community. In industry it leads to sheepish toleration of bullying arrogance on the part of bosses, which in the end may stir up dangerous emotions that will burst into revolt against the whole system. Much of the disciplinary procedure of the modern workshop manifests almost a complete ignorance of human psychology in this particular.

16. Watts, *op. cit.*, p. 182.

17. Chapter 4.

THE ASSOCIATIONAL TENDENCY. Human beings, like numerous species of animals, have a positive aversion for isolation and solitude and evince a strong proclivity for association and gregariousness. This is partly a manifestation of the gregarious or herding instinct, which has been a responsible factor in the development of the modern factory system, the growth of urbanization, and the rise of such institutions as the trade union and the employers' association. This trait is, of course, like all others, partly a by-product of influences in the social environment. Laborers who dread the isolation of the farm and rural community accept lower standards of pay, less healthful conditions of work, and closer supervision in the factory just because of the greater opportunity of association with their fellows. Man is not a self-contained unit, but rather, as Aristotle describes him, "a social animal."¹⁸ The stimulating currents of factory life, which issue chiefly from group actions and reactions, appeal to him. Social organization in all its aspects springs, willed or unwilled, from this proclivity to association.

Ignorance of the naturalness of this impulse is responsible for the tendency of industrial managers to discourage or prohibit conversation and other forms of intercommunication in the factory. Excessive conversation and sociability is an obvious deterrent to maximum efficiency, but unreasonable and forceful suppression does not produce the best results. In a similar manner management often opposes unionism, which, quite apart from the economic necessity that has brought it into being, is a logical and almost inevitable expression of the herding impulse. When those who are responsible for the management of industry understand better the psychology of unionism, it will be less difficult to preclude industrial warfare and assure peace and co-operation. The solidarity of labor is a dream that issues not merely from a desire for economic power but from the urge to group association. Not only are labor organizations an expression of a gregariousness that yields a cherished comradeship, but they have positive influence in stimulating the desire for social relationships.

Group loyalty and intolerance of disloyalty develop from this asso-

¹⁸. See his *Politics*.

ciational tendency re-enforced by the spirit of patriotism. Strike-breakers and scabs are *persona non grata* in the ranks of unionists because they aid in defeating the purposes of organization and snobbishly cut themselves off from group affiliation. In defense of group standards and for the achievement of group ideals, workmen, like the patriotic citizens of a nation, manifest almost a spontaneous capacity for violence.

SENSITIVENESS TO APPROVAL AND DISAPPROVAL. There is something in man's nature that makes him sensitive to the opinion and judgment of his fellows in organized society, impels him to covet their good will, and causes him to avoid their disapproval and condemnation. Properly solicited, this trait can be made to yield a high degree of loyalty and productivity in industry. Quantity production and quality of workmanship can be stimulated by appealing to the worker's desire for praise and approval. Not infrequently, however, attitudes and disciplinary procedure in the workshop appear to be designed for the opposite effect. Fines, demotion, and discharge are often used in an attempt to achieve certain ends that could be attained more easily and more quickly through appeal to the worker's desire for recognition. Sensitiveness to approval and disapproval also explains why members of a union willingly accept rules and decisions that according to their own individual judgment may be neither desirable nor practicable. Sensitiveness to approval and disapproval is always operative within the group relation of the wage-earning class, whether these relations lie within the confines of the labor union or are expanded to include the community at large. This is because the workers are—at their jobs and apart from their jobs—human beings.

THE SPIRIT OF PROTEST AND REVOLT. The willingness to struggle and suffer for the achievement of group ideals develops not only from a sense of group loyalty and the desire for approval, but also from a sense of injury and the prompting to fight. The urge to fight, commonly called the instinct of pugnacity, may be born of fear or of anger. Whenever environmental conditions are such as to repress basic human desires or to threaten injury or extinction, the urge to counterattack comes into play. Caught in an avalanche of anger, the individual is likely to throw moral codes and social standards of behavior to the wind

and regress to primordial methods of attack. Imperialists and others who make war know the survival value of this instinct; they develop a subtle technique to stimulate it in times of conflict and cultivate it even in times of peace.

Employers and trade-union leaders use a similar technique in industrial conflict, the strike and the lockout being manifestations of the pugnacious bent. The militant attitudes and practices of both sides are identified with the fighting impulse. Defeat results in the accumulation of resentment and the harboring of revenge. The consciousness of injustice by either side inevitably leads to forceful resistance and revolt. The denial of legitimate rights, such as the right of collective bargaining, and the refusal to accept established prerogatives, such as the employer's complete control of employment policies, are often interpreted as a challenge to survival, and industrial conflict is the result.

FEAR AND THE SENSE OF INSECURITY. Rather than prompting one to fight, a state of fear may cause flight from conditions, situations, and experiences that threaten harm. Man has a capacity to be fearful under a congeries of circumstances. In industry the most distressing fear that obsesses the minds of workingmen is that which arises from a feeling of uncertainty over one's status. Fear often thrives where there is no real danger, but the economic insecurity of the modern wage earner is such as constantly to stimulate a dread of the future. The employer's absolute right of discharge and the arbitrary exercise of that right where the workers are not organized to resist it, the occurrence of seasonal and cyclical fluctuations in employment, the tendency to lay off men who have passed the meridian of life, the continually recurring dangers to health and life, the inadequacy of the wage scale, the probability of a dependent old age, and discrimination for union affiliation and activity—all conspire to keep the worker's mind in a state of constant fear that breeds an abnormal sense of insecurity. This is why economic insecurity has been characterized by many writers as the greatest of labor problems.

THE ACQUISITIVE URGE AND THE CONSCIOUSNESS OF PROPERTYLESSNESS. Capitalistic society is often described as being essentially acquisitive in its motivation and behavior. This tendency has undoubtedly sprung

partly from the basic urge to appropriate things for oneself, which, through the history of the race, has been identified with the collective instinct. Ownership, possession, and control yield great satisfaction to most people. Modern capitalistic society has generously cultivated this acquisitive desire and has stressed the necessity and wisdom of giving it relatively free play, but conditions in industry are often such as to preclude its satisfaction for the great mass of workmen. Laborers as a class possess a relatively insignificant share in the ownership of the industries in which they work, despite some concerted efforts to encourage stock ownership. The laborer today is a marked contrast to the old handicraftsman, who owned his own tools, controlled his own shop, and either individually or through the guild of his craft disposed of his product directly to the consumer.

The fact that he does not own the industry in which he works and the product he helps to turn out, does not prevent the modern wage earner from developing a sense of ownership. He invariably has a feeling of ownership in the tools he uses, the machine he operates, and the job he fills. Not infrequently this sense of possession is expanded to include his company. He speaks of "my machine," "my tools," "my job," and "my company," as though his proprietary share were real rather than imaginary. This is a fortunate sublimation of a basic desire and is often the source of great co-operation and efficiency. It is, of course, an imperfect motivation to activity, and our industrial system is sadly in need of repair at this juncture. Men and women work with greater enthusiasm and find greater happiness when they share in ownership than when this satisfaction is denied them.

INDUSTRY AND THE PARENTAL URGE. Sex and parental bent are as potent determinants of behavior among wage earners as among any other class of the population. But it is not always easy for industrial managers or for the general public to discover this fact. Psychologists who have studied the human equation in industry have pointed out that the increasing nervous energy exacted by modern industry, the speeding-up of machinery, low wages, and long hours of exhausting toil often result in weakened powers of resistance and consequent sexual excesses with loss of fecundity. Love of children is often a significant influence in the

reactions of the wage-earning class. Coupled with economic necessity, parental bent explains the immeasurable spirit of sacrifice and devotion that drives mothers into factories and keeps them at work up to the utmost limit of time prior to childbirth and causes them to return prematurely after that period. Parental love impels wage-earning mothers and fathers, no less than other mothers and fathers, to make unlimited sacrifices in order that their children may obtain educational opportunities and other privileges which they themselves were denied. Their efforts are made in the hope that their children may have an easier lot in life and rise to positions of professional and social importance. This urge is an important factor in the courage and patience with which wage-earning families meet the impoverishment and other exigencies of prolonged strikes and lockouts. If revolutionary programs for the reorganization of economic society appeal to many workers, as is often the case, it may be because such programs promise them and their families a higher standard of life.

THE SIGNIFICANCE OF THE EMOTIONS. The emotions play a significant part in the functional life of the individual and the group. An emotion is the overtone of feeling that is experienced by the individual as he is about to engage in a certain activity; it is essentially a drive to action. Satisfying emotional experiences are quite generally desired by normal human beings. Emotions, moreover, frequently constitute the power resources that make possible the successful accomplishment of objectives. Emotions give power to individual experiences on the feeling side, hence their proper direction is an indispensable condition of the attainment of individual and social purposes. Fear, anger, hate, and love, which are notable examples of the overtone of feeling, are important sources of psychic power in human relations everywhere, including the mine, mill, factory, and workshop.

In the organization and functioning of labor unions and employers' associations, fear, anger, and hate play an important role, as they do in the normal relations in the plant. It is essential to remember that, while these emotions may mobilize powerful resources in a conflict, they represent a disturbed condition of the organism and that unless they are

intelligently canalized they are destructive of industrial good will and efficiency. Emotional disturbances result in conflict. Even in the community at large, the emotions are often a significant factor in industrial relations, since both sides to industrial disputes make direct appeals to emotional prejudices. Capital and labor, through the press, exploit the emotions to gain public support for their respective causes. One must not get the impression that the marshaling of the emotions is necessarily bad. In fact, intelligent use of emotional resources is frequently necessary to guarantee the attainment of legitimate ideals. From a social point of view, it is essential that the conditions in employment relations which give rise to anger, fear, and hate be removed and that careful attention be given to proper ways and means of utilizing the emotional drives with a view to cultivating equitable, peaceful, and efficient relations.

REASON, INTELLIGENCE, AND HABIT. Man is not an untutored savage, yielding blindly to every impulse and emotion that prompts him to spontaneous action. Custom, tradition, religion, reason, habit, and the mores of his group influence his attitudes and help to determine his modes of behavior. Were it not for this fact, industrial peace and progress would be inconceivable. Regression to the law of the jungle and reversion to anarchism would often result were it not for the tendency of human beings to temper their instinctive and emotional behavior with reason and restraint. It is in the direction and control of emotional and instinctive drives by the intellect that one must seek final and enduring solutions to the numerous problems involving human conduct in industry. Instincts and emotions cannot be escaped and thwarted indefinitely, nor can escape and repression provide solutions for the perplexing problems which are created by the presence of these psychological factors in industrial relations. Rather must we strive to direct these factors wisely into constructive channels of expression and sublimation. The way to effective solutions lies through a "working synthesis of the constructive interests of all engaged in industry," and this depends upon the application of intelligence and reason. If appropriate stimuli and adequate outlets can be found for the basic urges

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of life and these can be co-ordinated with the final aims of a humanistic civilization, social progress will be assured through the maintenance of industrial peace and the guarantee of industrial justice.

Questions for Class Discussion

1. What is the humanistic conception of labor? Do you think that in the light of traditional economic theory such a conception has any validity?
2. Of what importance is an adequate understanding of human nature in the formulation of labor policies in industry?
3. What is likely to be the effect of instinct repression in industry?
4. Do you think that the desire for creative experience is quite general among human beings? If so, can it be said that modern industry has adequately recognized this desire as a potential of industrial contentment and efficiency?
5. In evaluating the effect of machinery upon the worker's natural impulses what factors must be recognized? Do you think that the net result of machine technology has been positive or negative?
6. Granted that the machine cannot be dispensed with in modern civilization, what lines of procedure should be followed in eliminating its negative effects upon the workers?
7. How may the impulses of curiosity and play be harnessed for constructive functions in industry?
8. Why has there been a tendency in industry to discourage self-assertion? Would the encouragement of such a disposition lead to beneficial results? May we draw contrary conclusions concerning the tendency to self-negation?
9. How is the gregarious tendency of human beings related to the problems of both the employer- and the wage-earning classes?
10. Do you think that human beings generally are sensitive to approval and disapproval? If so, does this fact have considerable significance in employment relations?
11. What are some of the most potent causes of fear and anger in industry? What readjustments are necessary to prevent unreasonable manifestation of these impulses? Are these readjustments completely within control of management, or are some of them contingent upon social action?
12. How is the parental urge related to problems of labor relations?
13. What is the industrial importance of the emotions and their proper direction?
14. To what extent is the consciousness of propertylessness responsible

for industrial unrest? What degree of ownership do you regard as essential to peace and cooperativeness?

15. If man is not an "untutored savage" yielding readily to his emotional drives, is there reason to believe that intelligence, reason, and habit provide a foundation for peaceful, efficient, and just human relations in industry?

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Chapter 6

TECHNOLOGICAL FACTORS

¶ THE ADVANTAGES OF THE MACHINE. The résumé of industrial development presented in earlier chapters suggests that the rise of human civilization may be attributed partly to the successful exploitation of natural resources and to the manipulation of natural forces through discovery and invention. This is especially true in the modern period of human history. Within a single generation following the Industrial Revolution in England, the organization of production was completely revolutionized and the machine became the center of civilization. The inventions of the eighteenth century gave new meaning and new significance to the geographical discoveries of the fifteenth and sixteenth centuries. Through mechanical science the race embarked upon a voyage of discovery and invention, the results of which are as yet only faintly perceivable. Invention, moreover, has become less and less a matter of trial and error and increasingly a matter of intelligent and conscious design; it is no longer confined to the small workshop of the individual inventor, but is subsidized and carried to perfection in the well-equipped laboratories of great universities and giant corporations.

Around scientific invention embodied in the machine process have been developed such effective agencies of industrial progress as division of labor, the factory system, the large business unit, large-scale production, and the conquest of distance. These have brought economy of time, materials, and labor, with resultant increased efficiency in the production and distribution of commodities and services. The machine has immeasurably increased man's power over natural forces and has multiplied his strength many times in bringing to his aid such forces as water, steam, oil, and electricity.

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These results have been achieved without necessarily sacrificing such desirable objectives as quality and accuracy. The machine works with a continuity, regularity, and speed unequalled by the human organism. Its quantity of output is far in excess of what would have been possible with man's original equipment of labor power, time, and materials. This is attributable to fundamental differences between man and the machine. The machine does not become fatigued; it can toil day and night without relief and rest. It can perform the same operation over and over again with a regularity that is unattainable by the human hand. Its speed is limited only by the strength of the driving mechanism and the strength and durability of the materials of which it is made. The machine has an astonishing capacity to reproduce intricate mechanisms with only the slightest variation in measurement. Its precision is invariably greater than that achieved by man. No observer can fail to be impressed with the seemingly exhaustless power, unvarying accuracy, and unfailing obedience to the driving mechanism displayed by the machine in modern industry. Nor is the quality of its product necessarily inferior to that turned out by human hands.

THE INCREASE IN TECHNICAL EFFICIENCY. In view of the characteristics of the machine just enumerated, it is not strange that machine industry has expanded so rapidly or that its future should appear to have indeterminable limits. One need but examine the extraordinary increase in the technical efficiency of American industry during recent decades to be convinced of the unquestioned triumph of mechanical processes. Among the effects of the machine are the unusual progress in mass production, the unprecedented integration in the organization of industry and business, the increasing mechanization of production, the constant development of new industries, and the general consumption of commodities and services hitherto confined to relatively few persons and considered as luxuries beyond the purchasing power of the masses.¹

According to official estimates, the physical volume of production of farms, factories, mines, and railroads in the United States increased

1. For a detailed analysis of these results consult the list of references appended to this chapter.

nearly two and one-half times between 1899 and 1925. In the meantime, population had increased only 54 per cent, so that the output of these major industries, in relation to per capita of population, increased nearly 60 per cent. This estimate, moreover, does not include developments in construction industries and in the facilities for communication and recreation. Noteworthy also is the fact that the volume of output per worker engaged directly on production increased faster than the production per capita of population, the output per person increasing 80 per cent compared with a 60 per cent gain per capita of population. This is significant because, for the principal industries of the country, the total output of 1925 could have been produced with a little less than half of the total number of workers that would have been required had the conditions of 1899 continued to exist.²

Even the significant statistics of increased productivity which are cited above do not begin to portray the spectacular triumph of the machine in American civilization. Volumes have been devoted to the description of that triumph; here we can merely suggest its dramatic nature. Each advance of the machine is pregnant with hope for the elevation of the standard of living and, as we shall see in a later chapter on unemployment, equally pregnant with the possibility of the degradation of the standard of living for those workers who must face the tragedy of displacement. The challenge of the competitive market and the compelling influence of the profit motive constantly force industrialists to reduce operating costs through the substitution of machines for men.

A few concrete examples will suffice to indicate the extraordinary advance of the machine and the relentlessness of technological change. Take, first, the revolutionary changes which the machine and technical improvements have introduced into the motion picture theater. The introduction of sound in connection with pictures has driven musicians completely out of the small theaters and has resulted in about 50 per

2. U. S. Bureau of Labor Statistics, "Productivity of Labor," *Monthly Labor Review*, vol. 25, October, 1927, p. 741. For an indication of the changes in productivity between 1929 and 1936, see the testimony of Theodore J. Kreps presented before the Temporary National Economic Committee, April 8, 1940, especially p. 33.

cent less employment among theatrical musicians in general, despite the fact that the de luxe theaters have retained concert orchestras. Sound pictures also have completely eliminated the legitimate theater outside of the large cities. Stock companies have practically vanished, and vaudeville shows unconnected with motion picture houses are a rarity.³ On the other hand, as a compensating factor in the amusement field, radio broadcasting affords a degree of assistance by furnishing employment to displaced musicians and other performers.⁴

The pace of technical efficiency shows no indication of slowing up. It is very obvious that the United States is able to produce an increasingly large volume of goods and to provide an increasingly diverse number of services with less and less man power. This does not mean that the total demand for laborers and the total employment are less. New industries are constantly appearing to provide new jobs, but serious maladjustments necessarily result when the employment opportunities do not keep pace with the displacement caused by increased technological efficiency. Viewed from the standpoint of the worker, the machine is a restless, often ruthless, invader of old areas of skill, training, and experience; it constantly demands new skill, new training, and new experience. Even a brief glance at the increasing productivity of American industry in recent years will indicate this important trend.

Although the volume of employment in 1935 was 18 per cent less than in 1920, the volume of goods and services was 14 per cent higher. This fact is revealed in the statistical data shown in Table 10.

The bituminous coal industry reveals very clearly the influence of technological change upon productivity and labor. The output per man per day in this industry increased 46.2 per cent between 1910 and 1930.⁵ The man-day output of all mine labor increased from 3.46 net tons in 1910 to 5.06 net tons in 1930. During the same period the number of persons employed dropped from 555,533 to 493,202. Had the man-day output remained at the same level as in 1910, 722,584 persons, instead of 493,202 actually employed, would have been required to pro-

3. U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, 1936 edition, Bulletin no. 616, p. 714.

4. *Ibid.*

5. U. S. Bureau of Labor Statistics, *op. cit.*, p. 715.

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TABLE 10

INDICES OF PRODUCTION, EMPLOYMENT, PRODUCTIVITY, AND
UNIT LABOR REQUIREMENT IN THE UNITED STATES, 1920-1935
(1920 = 100)

Year	Production	Man-Years of Employment	Productivity (Production per Employee per Man-Year)	Unit Labor Requirement Em- ployee Man-Years per Unit of Production
1920	100	100	100	100
1921	90	81	111	90
1922	110	87	126	79
1923	122	102	120	84
1924	125	101	123	81
1925	132	104	127	79
1926	133	108	124	81
1927	135	110	123	81
1928	142	111	129	78
1929	146	116	126	79
1930	125	106	118	86
1931	108	90	120	83
1932	88	73	120	83
1933	97	72	134	74
1934	106	79	134	74
1935 ^a	114	82	139	72

^a Preliminary.

SOURCE: "Increased Productivity and Unemployment," by D. Weintraub, *Personnel Journal*, vol. 16, November, 1937, pp. 171-8. Reproduced by permission of the Personnel Research Federation, New York, N.Y.

duce the 1930 tonnage in 187 days (the average number of days of operation in that year); while for the 1929 output 706,032, instead of 502,993 persons, would have been required.⁶ Skilled, semiskilled, and unskilled workers yielded their jobs to power equipment adapted to mining requirements; machine cutters, power drills, electrically operated pumps, power-driven steam shovels, and mechanized loaders and conveyors displaced the manual power of experienced miners.

Perhaps no other industry has felt the impact of technological improvement more keenly than cigar manufacturing. During the nineteenth and early twentieth centuries cigars were made almost ex-

6. *Ibid.*

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clusively by hand workers. In 1917 machines were introduced which produced finished cigars by a series of continuous and integrated operations. The consequence is that now, less than a quarter of a century later, very few factories use the methods of thirty or fifty years ago. The hand process survives in less than one-fourth of the establishments in the industry. Mechanization has made possible a significant reduction in the cost of production, thus enabling cigar manufacturers to compete with the manufacturers of cigarettes. Cigar makers have been greatly attracted to the labor savings made possible by the machine manufacture of short-filler cigars, which require 42 per cent less labor in the making department than long-filler cigars made by machine and about 78 per cent less labor than long-filler cigars made by hand.⁷ These changes have greatly reduced the number of establishments and the quantity of labor in the industry. In 1919 there were 114,300 wage earners in cigar manufacturing; by 1935 the total number of workers had been reduced to 56,000, or a reduction of more than 50 per cent. Part of the reduction in working forces was due to a fall in the volume of cigar production, which experienced a decrease of 30.3 per cent between 1921 and 1935. But the number of workers was reduced one-half in the same period, 22,000 of whom were displaced because of technological improvements in the industry. The conclusion was reached that "in the absence of improvements in manufacturing technique in the preceding two decades, 30,000 more workers would have been required to make the number of cigars produced in the industry in 1935."⁸ The skill of the displaced cigar makers was not generally employed in operation of the new machines, since the operators could be and were recruited from the ranks of unskilled labor, and many of them had had no previous experience in the cigar-making industry. By 1935 some 44,000 hand workers had been driven from the industry as a result of the introduction of the long-filler cigar machine, and only 17,000 new workers were required to operate the machines. The new

7. W. D. Evans, "Effects of Mechanization in Cigar Manufacture," U. S. Bureau of Labor Statistics, *Monthly Labor Review*, vol. 46, May, 1938, p. 1108.

8. *Ibid.*, p. 1113.

workers were mainly unskilled young women, while the displaced employees consisted of both men and women, generally in the upper age groups.⁹

In practically every industry the story is the same; namely, increased productivity with greatly reduced man-hours per unit of production. The hand process has yielded almost completely to machinery in the manufacture of glass, fully 90 per cent of the total output of bottles and jars being produced by machinery. Two hundred machines have demonstrated a productive capacity equaling that of 10,000 hand blowers. This explains why the skilled and semiskilled workers decreased from 10,000 in 1905, when the Owens machine was first introduced, to less than 3,000 within two decades afterwards. Nor does this tell the complete story, since nine-tenths of eight thousand or more helpers, mostly youths, who aided in the hand and semiautomatic manufacture, were soon displaced.¹⁰ An automobile can be produced in one-fifth the number of man-hours required in 1910. Complete substitution of the dial for the manual system in the telephone industry has decreased employment opportunities for operators by two-thirds, the productivity in 1930 being 48 per cent greater than in 1921. Between 1914 and 1931 the man-hour output of six representative tire manufacturing plants increased 580 per cent.¹¹

Agriculture reveals the same tendency. In the Corn Belt, one man, with modern equipment, can handle 160 acres or more, as compared with an average of only 80 acres a few years ago. The labor efficiency of the latest plowing equipment, as compared with the one-man two-horse plow, is 5,900 per cent, with a labor displacement of more than 98 per cent. When harvesting and threshing were combined into a single operation, the gain in the efficiency per unit of labor of the most modern method over primitive methods was 4,700 per cent and the labor displacement was 98 per cent. In 1895 the labor requirement for shelling 100 bushels of corn by hand was 166.67 man-hours; with the hand machine it is 33 man-hours; and with the power machine it is

9. *Ibid.*, p. III4.

10. George E. Barnett, *Chapters on Machinery and Labor*, pp. 86-8.

11. U. S. Bureau of Labor Statistics, *Bulletin* no. 616, pp. 712-33.

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1.67 man-hours. The gain in efficiency per unit of labor is 9,800 per cent, and the displacement is 99 per cent.¹²

THE CAUSES OF INCREASED PRODUCTIVITY. What factors are chiefly responsible for this increased productivity of American industry which has so definitely affected the status of the wage-earning class? Numerous explanations have been advanced, from reduced immigration to the superior quality of American political institutions. Primary importance must be attached to the presence of vast and diversified natural resources from which have come an abundance of raw materials, capital, and generating power. Other contributing causes are a large population, wide and active international markets that are free from trade barriers and tariff restrictions, the development of scientific education, and an extraordinary amount of organized intelligence re-enforced by a willingness to scrap old methods and processes and to substitute new processes and labor-saving devices. The abundance of capital has encouraged experimentation with new ways and means of production and has made possible the discarding of less efficient for more efficient machinery, thus stimulating the introduction of machine power in displacement of hand power. Throughout our history the spirit of free enterprise and the promise of greater returns have undoubtedly had much to do with increased technical efficiency and productivity.

PROBLEMS ISSUING FROM THE INVASION OF THE MACHINE. The favorable consequences of increasing mechanization and technical efficiency have attracted wide attention. Greater productivity has increased the national wealth and income. A vast amount of leisure has been made possible and a more general consumption of goods and services previously regarded as luxuries has contributed to a more complete and diversified existence for our people. More time and better opportunities for education have been assured, as is evidenced by the increase of students in our high schools, colleges, and universities. The drudgery of the housewife has been greatly lessened by labor-saving devices. Hours of labor have been progressively reduced until now we witness the rise of a movement seeking a five-day week. These and other

12. *Ibid.*

benefits bear convincing witness to the contribution of the new machine technology.

But the story of the machine has another side. Increasing mechanization has brought with it many serious problems. It has become quite evident that society must safeguard itself against the disadvantages of technological industry while continuing to reap and enjoy its marked advantages. The utilities of the machine are invariably obvious to the nonwage earner; its disutilities are quite likely to be apparent only to the industrial worker, to whom it seems an arrogant and ruthless invader. Loss of monopoly of skill, partial or complete occupational displacement, potential or actual reductions in wages, growth of impersonal relations in the workshop, greater risks to health and life, development of distressingly monotonous work—these are the effects of machine technology that have a tragic realism for the industrial wage earner. To society in general, the relation of the machine to such things as growth of combinations and trusts, inequality of wealth and income, and concentration of population in cities has great significance. But it is with the influence of increasing mechanization of industry upon the status of the worker and his reactions to the invasion of the machine that we are principally concerned.

MACHINERY AND THE DEMAND FOR LABOR. The traditional apology for the machine is that it provides more employment than it takes away; that its broader and long-run effect is not to diminish the demand for labor but to increase it. A prominent American economist has stated: "Nothing is better established in economic theory or in economic history than the general proposition that, *given time*, new technological advance leads to increasing rather than decreasing demand for labor."¹³ This is usually explained in the following manner: When machinery is substituted for labor, it cheapens the product so much that consumers can buy more of it, so much more indeed that in the end a greater number of laborers are employed than before. Moreover, there is not only a distinct increase in demand for labor in the

13. Benjamin M. Anderson, Jr., "Technological Progress, the Stability of Business, and the Interests of Labor," *The Chase Economic Bulletin*, vol. xvii, April 13, 1937, no. 2, p. 13. Italics are the authors'.

industry directly affected, but there are gains for the whole laboring population through the reduced cost of living.

The reason for increasing the ratio of capital to labor by means of labor-saving devices is to enable the workers to function more effectively in the scheme of production, and so to reduce unit costs and increase output. Whether the result will be the employment of a greater or a less number of laborers will depend upon the effect of a fall in price in stimulating consumption. No generalization concerning the effect can be made. The final result will depend upon the elasticity of the demand for the product. If the demand is elastic—that is, if a moderate fall in price will invariably cause a considerable increase in the amount of the product consumed—the number of laborers employed will normally be greatly increased. On the other hand, if the demand is inelastic—that is, if it takes a considerable fall in price to cause a small increase in the amount of the product consumed—there is no reason to suppose that any more labor, if as much, will be required. Because of the difference in the degree of elasticity of demand, a similarly graduated variation in the price of two different commodities will frequently have widely divergent effects upon the volume of consumption. The demand for automobiles, for example, is elastic, responding sensitively to price variations. Although in the year 1925 an automobile could be produced in one-sixth the number of man-hours, the number of workers increased from 51,294 in 1910 to 197,728 in 1925, an increase of 285 per cent. On the other hand, the demand for agricultural products is much less elastic, and a lowering of prices does not tend to cause a greatly increased consumption in an already well-fed country. "When great improvements come in agriculture, the tendency is toward a reduction in the percentage of the population engaged in agricultural employment, with a shifting toward other occupations where demand for products is more elastic."¹⁴

It is impossible to say, therefore, to what extent the introduction of machinery will increase or decrease the quantity of labor employed. In many cases a lower price resulting from the introduction of machinery has had little or no material effect upon consumption, and labor has

14. *Ibid.*, pp. 16, 17.

been largely displaced. In many other instances machine methods have so reduced the cost of production as to lower materially the price of the product, and this has resulted in an increase in demand and a consequent larger employment of labor. For example, subsequent to the introduction of the linotype machine, regularity of employment was far greater among the machine operators than it had been among the hand compositors. The constant expansion of the demand for operators kept competent workmen fully employed. The unemployed were chiefly workmen of advanced age who were unable to operate the machines at sufficient speed. They could not obtain employment in other branches of the trade because they had become highly specialized in the setting of straight type. The result was that some of them went to the smaller towns as yet uninvaded by the machine; others abandoned the printing industry. Many printers were only temporarily displaced, and, with the revival of business and the increase in demand, again found places in the trade.

Other factors also must be recognized as important. The cost per unit of product is among these. Unless the unit cost is lower as a result of the machine process, price cannot be reduced. It must not be forgotten that the cost of machinery and royalties must both enter into price. Moreover, the cost of raw materials utilized by a given industry does not necessarily change with the introduction of machinery. Consequently, unless the elasticity of demand for the commodity warrants a sufficient increase in consumption to cover these and other added costs, the number of workers will be reduced or cheaper labor will be substituted. Nor must one forget that those who control and use the machine may prefer small output with large unit profits to large output with small unit profits, if this seems to their best interest. The application of machinery is frequently restricted in this way. A thorough investigation of a number of cases led to the conclusion that the increase in production ascribable to reduced cost was relatively slight. Competing products and changes in taste were evidently more important influences.¹⁵

15. Barnett, *op. cit.*, p. 131.

This much, then, seems clear: The net result of inventions in general has been to save more labor than capital and to increase the employment of capital more than that of labor. It can never be taken for granted that the introduction of labor-saving machinery will increase the demand for labor. Hence one must accept with caution the generalization ordinarily made concerning the beneficent effect of the machine upon the labor market. Moreover, even though the long-run effect for labor in general is favorable, the immediate effect for particular groups of laborers invariably is unfavorable. This fact is admitted by the staunchest defenders of technological changes. "Over the long run," says one of the keenest observers, "the gain is obvious. Even in the short run, the gain for the great bulk of the people is enormous. But, in the short run, the displaced individual worker may face tragedy, and this should not be."¹⁶

MACHINERY AND THE DISPLACEMENT OF SKILL. If the introduction of machinery does not *per se* positively increase the demand for labor, does it have the opposite effect of actually displacing labor? This inquiry is often answered in the affirmative. "From time to time," says John A. Hobson, "great numbers of skilled workers find the value of their personal skill cancelled, and are driven either to acquire a new skill or to compete in the unskilled labor market for a lower livelihood."¹⁷ Likewise, the unskilled worker does not escape the negative consequences of the machine. One certain result of invention is to reduce the need, relatively at least, for muscular energy and for every form of mechanical work that can be reduced to routine.

The question of displacement cannot, however, be so easily dismissed. In a scholarly analysis of the effect of machinery upon labor, Professor George E. Barnett defines the displacement of skill as follows: "By displacement of skill, in the sense in which the term is here used, is meant the loss of the opportunity to sell acquired skill at the rate of remuneration which would have been received if the machine had

16. Anderson, *op. cit.*, p. 21.

17. John A. Hobson, *The Evolution of Modern Capitalism*, rev. ed. (1916), p. 325.

not been introduced. Displacement, therefore, does not necessarily mean loss of employment.”¹⁸ If the skilled workman continues his employment after the introduction of the machine, but is compelled to accept a lower rate of remuneration, displacement of skill has taken place.

The extent to which the introduction of machinery will result in the displacement of skill will depend upon several factors. Among these are the rapidity with which mechanical improvements are introduced, the mobility of labor within the trade affected, the effect of the machine in reducing the price of the commodity and increasing the demand for it, the labor-displacing power of the new mechanism, the extent to which the skill of the handworker can be used in connection with the new machine, and the strength and intelligence of the union claiming jurisdiction over the trade.

The undesirable consequences of the introduction of machinery are sometimes said to be greatly minimized by the customary inertia of manufacturers in adopting labor-saving devices. Radical changes in methods of production, it is urged, take place so gradually and continually through small increments of invention as to cause only an insignificant displacement of labor. The history of modern capitalism scarcely sustains the conclusion that inertia is such an important factor in this regard. Employers are likely to sense very quickly the additional profits accruing from new methods and new processes. If the introduction of machinery is seldom catastrophic, it is in general due to the lapse of a considerable period of time in making the machine process achieve its maximum efficiency rather than to inertia on the part of manufacturers in adopting new labor-saving devices.

If new machinery is seldom introduced with extreme rapidity, does this lessen the total amount of displacement of skill? The extent to which skill will be salvaged in the readjustments caused by the introduction of machinery will depend upon a number of conditions, such as a rapid decrease in the number of workers recruited for the trade, the extent to which the trade knowledge and acquired skill of the craftsman can be utilized in operating the new machine, the nature and effectiveness of trade-union interference, and the mobility of labor. Of

18. *Op. cit.*, p. 117.

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these, perhaps the mobility of labor is the most important. Strangely enough, this factor is the one most generally exaggerated. After all, immobility is more likely to characterize skilled labor, because, in the trades, work is invariably split into specialized sections, and passage from one to another is often difficult. Not infrequently, moreover, workmen prefer to surrender their trade rather than to incur the inconvenience and disadvantage involved in moving to other communities where employment at their own craft might be obtained. Older workers find it difficult to operate the new machines, even when their knowledge and skill are usable in this connection.

Those who are enthusiastic about the machine frequently offer the workers solace with the thought that there is after all a very definite and absolute limit to the number of great inventions that can revolutionize trades sufficiently to dispense with trade knowledge, skill, and experience. As a matter of fact it is difficult to discover any assignable limits to the application and progress of mechanical improvements or to find insurmountable obstacles to the rapidity of their introduction. The development of electricity and the prophecies concerning super-power would indicate that the progress of machine invasion may be greatly accelerated in the immediate future. Unless the mobility of labor can keep pace with the introduction of machinery and other labor-saving devices, and unless markets continue to expand sufficiently to absorb the increased quantity of commodities resulting from increased technical efficiency, the growth of mechanization must be accepted as a potential cause of displacement of skill and insecurity of employment. It is futile to attempt to comfort the wage earner with the statement that the loss of employment may be only temporary. His own life is transitory, and the loss of work may occasion a lower standard of living for himself and his family, with all the evil consequences that such a situation entails. He is not interested in, much less consoled by, the "long-run" and "other things being equal" speculations of the economic theorists. The worker lives in a world of fact, not theory. That is why he is an incurable realist, concerned primarily with the immediate present.

The displacing power of machines varies greatly. Some have an out-

put efficiency several times greater than the maximum productivity of hand labor; others have a capacity only a few times greater than the most efficient skilled workers. This variance is a basic factor in determining the ultimate displacement of skill. It is also true, moreover, that the degree to which skill can be used varies greatly with the different kinds of machines. Trade knowledge, skill, and experience are frequently quite usable in the machine process, such as in the case of the linotype machine, where skilled printers proved very acceptable. Automatic machines, on the other hand, provide little or no opportunity for the utilization of trade skill. An increase in demand for the product resulting from lower prices and a higher degree of mobility on the part of the workers are the primary factors in conserving their status, but these are economic in character and their influence is uncertain.

MACHINERY AND THE AREA OF MARKETS. Machinery has resulted in the accumulation of large amounts of fixed capital—that is, such forms of capital as mechanical equipment and buildings which are used over and over again in production. Undoubtedly it is to the interest of the employer to maintain full and regular employment for his labor force in order that he may use his fixed capital to the greatest advantage. Idle capital means not only loss of income but positive expense. Under modern capitalism, however, there are great fluctuations in commodity prices which are accompanied by similar variations in employment and wages. Thus, while the self-interest of the employer conduces to regularity of employment, other forces beyond his control produce irregularity. These forces revolve about the machine process in modern industry.

The fundamental determinant in the stabilization of employment is the purchasing power of the consumers. When production was slow and on a small scale, when markets were narrower, and when credit was undeveloped, there was less danger of miscalculation of demand, and the corrective forces of industry were more speedily effective. Modern machinery, however, has greatly expanded the area of commodity markets, enlarged the scale of production, and increased considerably

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the complexity of demand. Production is no longer for a small, local, and present market, but for world markets and future demand. There is a wide latitude for miscalculation. Machinery is directly responsible for the great fluctuations from which irregularity of employment and general economic insecurity develop. The situation is aggravated considerably by the tendency of machinery to drive workers into industries producing luxuries rather than necessities. It is obvious that the demand for the former is less stable than the demand for the latter.

With regard to world markets it is necessary to call attention to another significant factor, namely, the tendency of practically all nations toward self-sufficiency through industrialization. Even such potentially vast markets as India and China eventually may be supplied from their own industries. This movement toward industrialization, which has gathered momentum in recent years, may advance so rapidly as virtually to close vast trade areas to established industrial nations such as Great Britain, the United States, and Germany.

Modern capitalistic methods of production, then, appear to cause displacement of labor and unemployment in four general directions. In the first place, continual additions of labor-saving machinery positively displace a number of workers, compelling them to remain wholly or partially unemployed until they have adjusted themselves to the new economic changes occasioned by mechanical improvements. Secondly, frequent miscalculation and temporary overproduction, which appear especially in machine industries producing for a wide and unstable market, result in periodical business depression, with the result that large numbers of skilled and unskilled workers are thrown out of employment. Thirdly, economies commonly effected in machine production in industries producing stable commodities drive an increasing proportion of the labor supply into industries catering to the demands for luxuries for which the market is more irregular and, consequently, in which the demand for labor is less constant.¹⁹ Finally, the tendency toward industrialization and self-sufficiency may affect adversely the ability of established industrial nations to dispose of the increasingly

19. Cf. Hobson, *ibid.*, pp. 330-3.

large surpluses which are made possible through increased technical efficiency and mass production.²⁰

MACHINERY AND THE WAGES OF LABOR. The effect of machinery upon the wages of labor is often difficult to measure because of changes in the method of payment from a piece to a time basis. In so far as the machine displaces skill and reduces the craftsmen to the level of the semiskilled or unskilled, the effect on wages is bound to be adverse. The ultimate result will depend upon such factors as the extent to which the workers' skill can be utilized in the new operations, the rapidity of the machine invasion, and the success of the union in controlling the machine process. Where the skill of the craftsmen has been found useful in operating the new machinery and the union has been able to enforce its demand for continued employment of skilled workers, wages have not been adversely affected. The result has been similar where the introduction of machinery has been sufficiently slow to permit a gradual readjustment of existing working forces to the new process.²¹

Where automatic machines are installed which can utilize very little of the trade knowledge and experience of the skilled workmen, the effect upon their wages invariably is adverse. Take, for example, the introduction of the Owens bottle machine. In 1905, when this machine was still an unimportant factor in production, the wages of hand blowers were very high relative to the standards in other trades, the average being about \$7 a day. The estimated average wage for hand blowers in 1917 was \$6 a day, and in 1924 it was only a dollar a day more. Meanwhile trade-union wage rates had experienced a general advance of about 80 per cent.²² If we look at the effect of automatic machines upon the general level of wages for all workers in those industries in which such machines have been developed, the result appears to be considerably different. "Wherever it has been possible to compare the

20. See Harold Butler, *Problems of Industry in the East*, International Labor Office, *Studies and Reports, Series B* (Economic Conditions), no. 29, Geneva, 1938.

21. For concrete examples see Barnett, *op. cit.*, pp. 21, 61.

22. Barnett, *op. cit.*, pp. 114, 158.

old methods with the new, the results show a considerably higher hourly rate for a larger percentage of the workers under machine operations than under hand methods.”²³ The cigar industry provides an apt illustration. Hand cigar makers apparently receive less than machine operators. A survey in 1933 made for the National Recovery Administration by the Census of Manufacturers showed that weekly earnings of female hand cigar makers making Class A cigars ranged from \$8.90 (average low), to \$11.60 (average high), while those of female cigar machine operators making Class A cigars ranged from \$10.71 to \$13.62. A survey made in 1936 showed results similarly favorable to the machine worker.²⁴ Apparently these wage changes are caused by elimination of hundreds of common labor operations for which a very low wage was formerly paid and which are now performed by the machine. The tendency of the automatic machine, therefore, would seem to be to eliminate both the highest and the lowest wage rates, leaving a somewhat higher general level by increasing the scale for the middle group.

MACHINERY AND THE HOURS OF WORK. As in the case of wages, the effect of machinery upon the hours of labor has varied with the trade. Generally speaking, the length of the workday has been shortened as a result of the introduction of machinery and the increase in technical efficiency. The machine process often makes it possible to produce as much in eight hours as was produced in ten under the hand process. For this reason employers have frequently abandoned their opposition to union demands for the shorter workday. It must not be concluded from this that the machine process *per se* assures a spontaneous reduction of hours of labor. In many industries, such as the manufacture of steel, the twelve-hour day continued long after the introduction of improved machinery and new methods of production. The strength of unionism and the enactment of laws limiting the hours of employment in certain industries and for certain classes of workers have un-

23. Charles Reitell, "Machinery and Its Effect Upon the Workers in the Automobile Industry," *Annals of the American Academy of Political and Social Science*, vol. cxvi, November, 1924, p. 38.

24. Evans, *op. cit.*, p. 1117.

doubtedly been the predominant factors in shortening the working day. It can scarcely be denied, however, that the increase in technical efficiency and lower unit costs resulting from the introduction of labor-saving machinery have made it possible for employers to accede to the demand of organized workers and to comply with the requirements of the law. In not a few instances the shorter workday has been inaugurated voluntarily by the employer, without the coercion of the union or the compulsion of legislation.

THE WORKERS' REACTION TO THE MACHINE. Resentment and opposition have invariably characterized the workers' reaction to the introduction of machinery. Where the employees have been unorganized, opposition has been spontaneous and temporary, but where a strong union has been developed, antagonism has been more positive and of longer duration. Fundamentally, resentment of the machine develops from the fear that its invasion will lessen or destroy the demand for labor. This may not result, but its probability is sufficient to disturb the workers' peace of mind. Their first impulse has almost always been to resist the introduction of the machine by destroying it, refusing to operate it, or attempting to compete with it outside of the factory.

Such antagonism toward labor-saving machinery is not difficult to understand. The machine is an inanimate thing without mind or spirit. It requires no period of apprenticeship for trade proficiency; has no family depending upon its earning capacity; and is insensitive to such exigencies as loss of employment, loss of skill, depressed wage scales, long hours of labor, and accumulating fatigue. For these reasons, machinery has sometimes been looked upon as the deadliest curse that has fallen upon the workers, and relentless opposition to it has been accepted as the highest duty.

Labor's early opposition to machinery is evident in the following vigorous statement by an early labor leader in England: "I look upon all improvements which tend to lessen the demand for human labor as the deadliest curse that could possibly fall on the heads of our working classes, and I hold it to be the duty of every working potter—the highest duty—to obstruct by all legal means the introduction of the

scourge into any branch of his trade.”²⁵ This type of uncompromising hostility to machinery, especially during the early development of modern industrialism, frequently led to destruction of new machines by mobs of workers who were fearful that the machines would rob them of their jobs. English economic history records innumerable revolts against the machine, including the famous revolts of the Luddites in Nottingham and the Shearmen in Yorkshire in the early years of the nineteenth century.

TRADE UNIONISM AND MACHINERY. It is often assumed that opposition to machinery is an established policy of trade unionism. This has often been so, and even now the policies and practices of many trade unions encourage acceptance of the belief. Unions are necessarily vitally concerned with the introduction of machinery, because of its potential effect upon the status of their membership and their potency as bargaining agencies. It is quite evident that the machine process may occasion radical readjustments in wage rates, hours of employment, and conditions of work. Customary standards may be lowered or destroyed, with an adverse effect upon the wage earners' economic security. A trade union can hardly escape its primary duty of preventing the reduction of its members to the level of the unskilled. All this is essentially a matter of self-preservation. The first great protest of American workers against the machine was registered by the shoemakers through their organization, the Knights of St. Crispin, which was created in 1867. Ever since, the laboring class in this country has watched with fear, suspicion, and jealousy the invasion of the “iron dukes” in industry. But uncompromising opposition has yielded to a more intelligent policy with regard to the substitution of machinery for labor.

Once the trade union is convinced of the futility of refusing to operate the machine or handle materials and equipment produced by it, the more constructive policy of accepting the machine and controlling it invariably is adopted. The new policy usually requires that only

25. Quoted in Sidney and Beatrice Webb, *Industrial Democracy*, 1920 ed., pp. 392, 393.

union members shall operate the machine, that the length of the working shift shall not exceed a certain number of hours, that only a prescribed number of employees shall operate a machine, and that the wage rate shall be such as to approximate the previous earnings of the handworker. In numerous instances the union has also endeavored to mitigate distress incident to the introduction of machinery by sharing available employment on a part-time basis with displaced workers and reducing the number of apprentices entering the trade.²⁶ "The machine is one of our best friends," states a prominent American labor leader, "just as is medicine. It is not the fault of the machine if we do not use it properly, any more than it is the fault of medicine if we abuse it."²⁷ The employer's right to introduce labor-saving machinery is not questioned by labor, and it is insisted that employers, more often than workers, retard the application of inventions because of the probable effect of such inventions upon the commodity market and the obsolescence of existing equipment. Labor desires regulation of the introduction of machinery in accordance with industry's ability to absorb displacements, and it is even suggested that an assessment be placed upon new machines to provide unemployment compensation for idleness caused by them.²⁸

Trade-union leaders have long since admitted the futility of opposition,²⁹ but this has not always deterred the rank and file from pursuing such a policy. The results of opposition have seldom been reassuring. Employers invariably have met it by transferring their work

26. For discussion of the details of trade-union policies and practices with regard to machinery, the reader is referred to the following: Sidney and Beatrice Webb, *Industrial Democracy*, 1920 ed., chap. viii; George E. Barnett, *Chapters on Machinery and Labor*; and W. G. Haber, "Workers' Rights and the Introduction of Machinery in the Men's Clothing Industry," *Journal of Political Economy*, vol. 33, pp. 388-409.

27. I. M. Ornburn, President of the Cigar Makers' International Union, *American Federationist*, vol. 41, February, 1934, p. 143.

28. *Ibid.*, pp. 141-7.

29. See, for example, the opinion of Samuel Gompers, quoted in David J. Saposs' *Readings in Trade Unionism*, p. 286, and of G. W. Perkins in his presidential report to the Cigar Makers' International Union in 1923, *Proceedings, Cigar Makers' Official Journal*, vol. xlvii, no. 9, September, 1923, pp. 17-8.

to nonunion plants or by employing nonunion workers. The final result has often been the development of powerful employers' associations committed to the maintenance of an "open" shop or an "antiunion" shop. In the last analysis, the success that unions achieve in combating the machine is likely to be in inverse ratio to its displacing power. Where displacing power is limited, as in the case of many semiautomatic machines which can still use the skill of experienced craftsmen, effective control of the introduction of machinery is quite possible, especially if steps are taken immediately to limit accessions to the trade by restricting apprenticeship. In the case of automatic machines, the displacing power of which is usually very great, the probability of effective union control is slight. The employer will hardly continue to pay skilled workmen for performing tasks that can be done just as efficiently by semiskilled operatives who can be trained in a relatively short time.

Although many restrictions upon output still exist, trade unions now seldom resist the introduction of machinery. This does not mean that such labor-saving devices have ceased to be a cause of industrial disputes. In fact, disputes are constantly arising with regard to those mechanical improvements that threaten the displacement of workers or the deterioration of standards of employment. The controversy, however, is not whether improved machinery shall be introduced but rather over the conditions of its introduction. Instead of refusing to work with the new machinery, unions attempt to enforce the preferential right of their members to acquire the dexterity necessary for the new operations. In addition to the preferential right to continuity of employment, there is demanded the right of joint determination of the conditions incident to the introduction of the machine, including wage rates, hours, the number of workers to be employed on each machine, the recruitment of new workers, and the physical conditions of employment. The union sees to it that the new status of its members shall be at least equal to that which existed prior to the invasion of the machine. This action is predicated upon the premise that the craftsman who has worked many years in a trade has a vested interest in his job. Technical advancement is not opposed, but the union insists that such

advancement must not take place at the expense of the workers. Hence the provision of joint committees consisting of representatives of the employer and of the union to safeguard the interests of all concerned. Once the fear of displacement is eliminated, union opposition to machinery tends to disappear.³⁰

THE NET RESULT OF MACHINE TECHNOLOGY. Western civilization is definitely committed to the machine. Without the machine it would be impossible to provide the desired quantities of necessities, comforts, and luxuries for the population, or to assure progressive improvement in the general status of the wage earner. "It is the machine that makes the high wages and the light work of the present day, and the still higher wages and still lighter work of the future possible."³¹ The working class has reaped marked material gains from the machine, although it has undoubtedly gained relatively much less than the capitalist class. The wage-earning class has yet to obtain an equitable share in the net product of machine industry. The basic problem is not whether the machine shall be accepted, but rather how the relative importance of the machine and the worker may be intelligently balanced. The danger is that the machine will be emphasized as an end in itself rather than as a means to an end; that it will be regarded as the major factor in production and that the worker will be regarded as a subordinate factor. At no time in the history of modern capitalism has there been greater danger of developing machine technology regardless of its immediate effect upon the workers than today. So rapid is the advance of technical efficiency in the United States that absorption of displaced workers is an extremely serious problem. No intelligent person would retard the progress of invention and mechanical efficiency, but it is a legitimate query whether the best social ends are served by accelerating technical advancement at the expense of the working class. The canons of constructive social progress would seem to require that the interests of this class be recognized and protected. A less accelerated

30. Cf. W. G. Haber, "Workers' Rights and the Introduction of Machinery in the Men's Clothing Industry," *Journal of Political Economy*, vol. 33, August, 1925, p. 400.

31. T. N. Carver, "American Prosperity Producing New Problems," *Current History*, vol. 25, January, 1927, p. 480.

rate of mechanical progress might be socially desirable. At the present time, employers tend to increase the use of machinery in periods of prosperity when markets and prices are good in order that they may obtain the largest possible share of profits; in periods of depression they tend to substitute machines for men and women in order that they may operate their plants by reducing costs of production to meet the lower price levels of depressed markets. A constructive policy of social control may be necessary if employers find it impossible to provide a way out of the serious dilemma created by machine technology.

An intelligent social policy concerning the machine and technological change does not presuppose the suppression of inventive genius. The machine is an indispensable condition of continued material progress. The place of the machine in general social advance has been accurately summarized as follows:

Machinery and mechanical power, instead of being the controlling factors in modern industrial progress, have been merely the principal instrumentalities by which progress has been achieved. Throughout the entire development in this country, and even back to the beginning of the modern industrial age in the Old World, the moving forces making for economic progress have been scientific research, invention, organization, management, and cooperation. These have throughout been motivated by a persistent striving for individual and social betterment, which, as achieved, has reacted to aid and accelerate economic progress, by raising standards of living, improving conditions, increasing the energy and skill of workers, and facilitating cooperation between workers and employers.³²

In the final analysis, it is not the machine and technological changes that cause human misery but rather our inability to absorb successfully the machine process and other technical improvements into our social system and to control them intelligently. "For it is clear that the machine is not by nature a diabolical enemy of the worker, but a means of raising indefinitely his plane of living. It is now thinkable that by the use of power one-fourth of our working population will be able to produce all the goods we want, thus releasing the other three-fourths to meet the needs for health, education, recreation, and facilities for the

32. U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, Bulletin no. 616, p. 736.

enjoyment of leisure time.”³³ Perhaps it is true that the fault lies not in the machine but in what has been described as our “technoculture,”³⁴ that is, our failure to distribute effectively and equitably the benefits of machine technology and to adjust our economic and social standards to the new levels of living which technical improvements make possible. If this is so, then perhaps we “must work for a technoculture worthy of our technology, so that labor-saving machines may be greeted as friends instead of enemies.”³⁵ Such a technoculture would provide that the material and social advantages of the machine shall not be concentrated in the lives of a relatively few but rather shall be distributed as widely as possible throughout the lives of the vast majority of our people.

The need for some such social policy with regard to technological changes is apparent in the conclusions of the Subcommittee on Technology to the National Resources Committee published in June, 1937.³⁶ The findings of the committee reveal several things of importance. The very large number of inventions in the United States manifests no tendency to diminish. While some technological changes eliminate industries and occupations, other such changes create new ones. Technological changes invariably necessitate widespread readjustments on the part of the workers whose jobs are affected. Quite apart from their influence on jobs, new inventions affect our social institutions and the whole life of the wage-earning class, to say nothing of the consequences for the balance of the population. It is clear that an increasing amount of our industrial development arises out of science and research, and our industries must rely increasingly upon these for continued advance. Unwillingness to scrap old equipment and install new devices is among the resistances to new inventions.

The constructive program recommended by the committee for deal-

33. Elizabeth F. Baker, “Human Problems Created by the Introduction of Labor-Saving Machinery,” *Worker's Education*, vol. 13, January, 1936, pp. 10-3. Reproduced by permission of the author and the Workers' Education Bureau of America, New York, N.Y.

34. *Ibid.*, p. 10.

35. *Ibid.*, p. 13.

36. See summary in U. S. Bureau of Labor Statistics, “Productivity of Labor and Industry,” *Monthly Labor Review*, vol. 45, September, 1937, pp. 615, 619.

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ing with the problem of technological changes includes several points of departure. Planning agencies should study those inventions which are likely to have far-reaching social consequences. A joint committee consisting of representatives of the various governmental departments and agencies should be created to keep abreast of technological changes and developments, particularly to note those industries and occupations that are likely to be most affected and in which unemployment is likely to occur on a significant scale. There should be a thorough study of technology and applied science and a review of our patent system by social scientists. A permanent general planning board should be established. All these suggestions can be integrated with an intelligent and progressive policy of social control so as to preclude unwise retardation of technological changes and yet to assure that such changes shall not be so accelerated as to cause irreparable economic, social, and moral injury to vast numbers of wage earners.

Questions for Class Discussion

1. What evidence is there that the machine has scored its greatest triumphs in the United States?
2. Cite specific examples of the effect of the machine upon the productivity of labor.
3. What have been the major causes of increased productivity in the American economy?
4. What are the principal items on the credit side of increased productivity resulting from increased mechanization and technical efficiency?
5. In analyzing the effect of machinery upon the demand for labor what factors must be taken into consideration?
6. Is it generally true that the introduction of machinery results in a displacement of human skill and consequently in the loss of employment?
7. What causal relation is there between the expansion of machine technology and the exploitation of markets? How are the workers' interests involved in this relationship?
8. In weighing the effect of machinery upon wages what factors must be recognized? Is it true that the increasing mechanization of American industry has affected the general level of wages adversely?
9. To what extent, if at all, has the machine been responsible for a reduction in the length of the workday in American industry?
10. What has been the general reaction of the American laboring class to the machine? What is the motivation of this reaction?

Conditioning Factors in Labor Problems

11. What has been the policy of the American trade-union movement with regard to the introduction of machinery? Has this policy undergone any change in recent years?

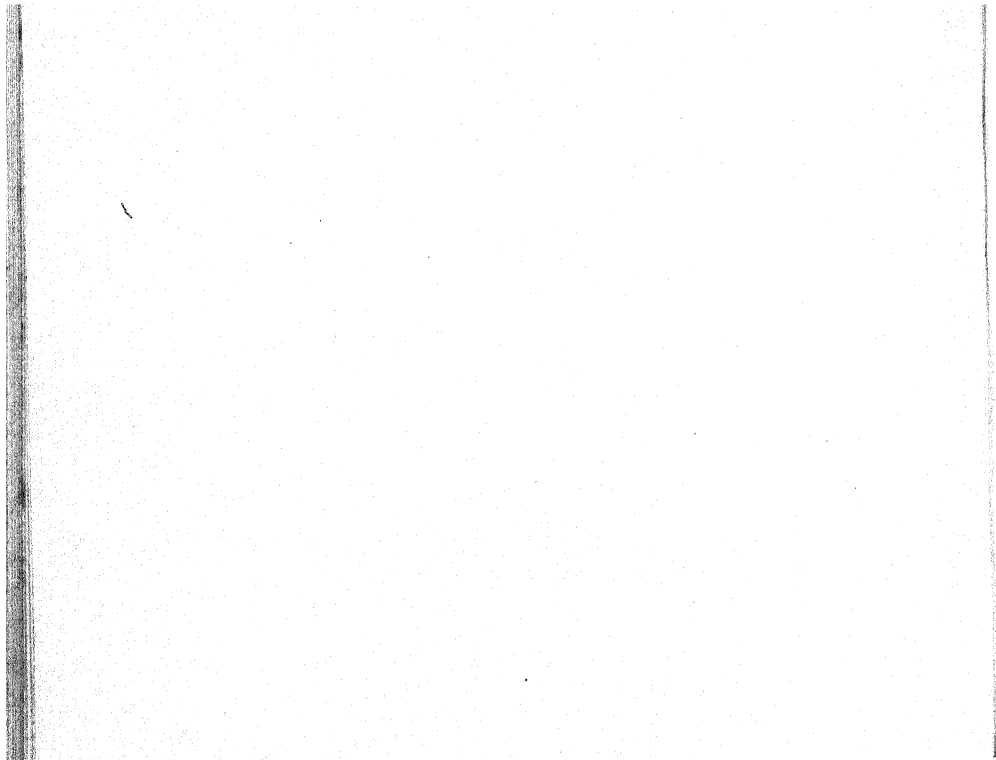
12. If we should agree that a definite social policy is necessary in order to control the introduction of machinery, what would be the essentials of such a policy?

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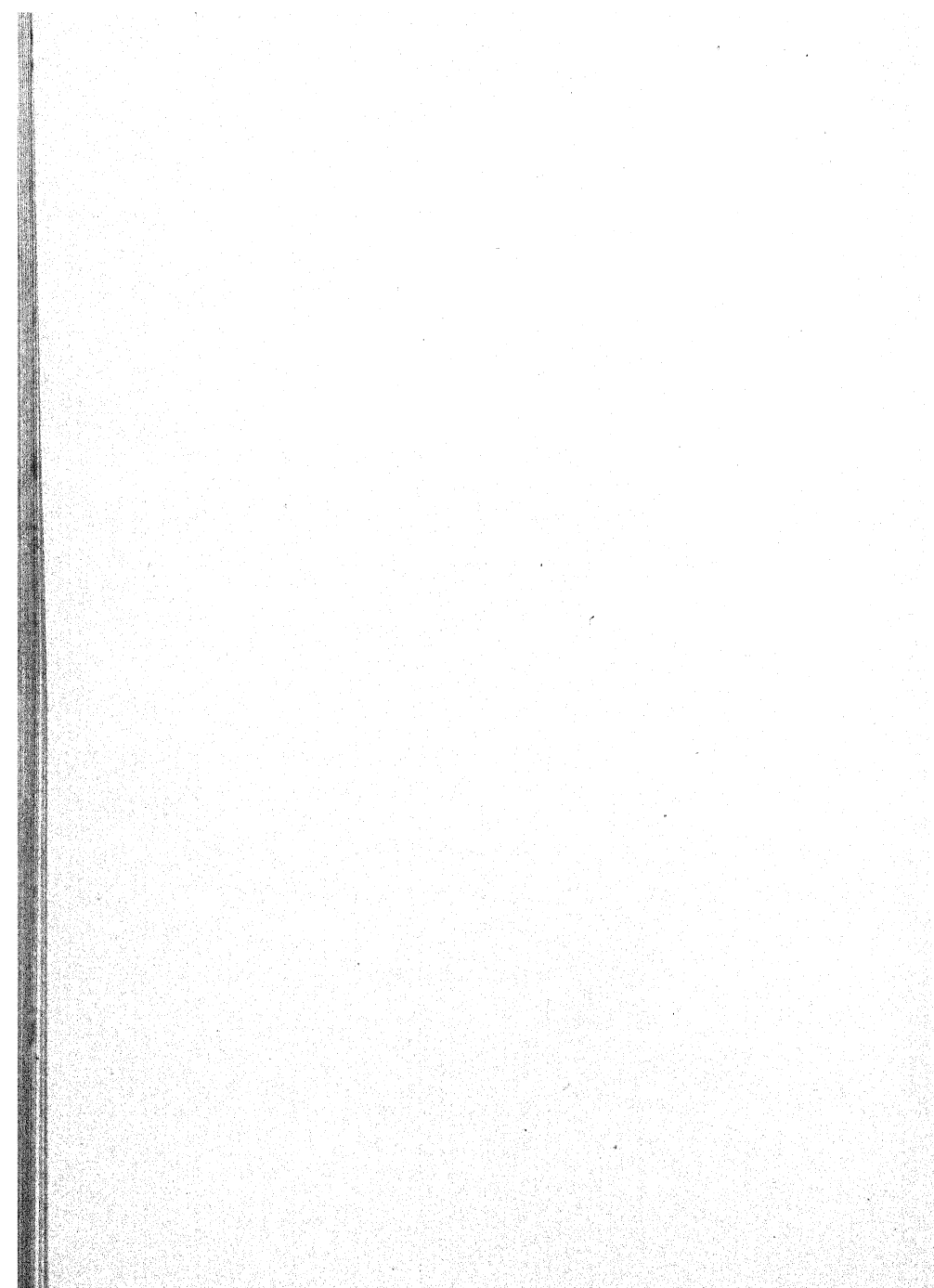
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PART III

THE PROBLEMS



Chapter 7

EMPLOYMENT AND UNEMPLOYMENT

¶ **MEANING AND NATURE OF UNEMPLOYMENT.** Unemployment is admittedly the most significant and perplexing of all labor problems. In our discussion of the technological aspects of labor problems, it was suggested that the complexity of modern industrial life, the division of labor, and world markets have made it practically impossible to gauge the demand for commodities. As a result production is not adjusted readily to consumption, and periodical unemployment occurs. Regularity of employment is something that every normal individual desires, and yet reasonable security of employment has not been assured the workers under modern competitive industrialism. The breakup of the manorial system in England, the passing of free land in America, and the subsequent development of city industries deprived the population of the continuity of employment that had existed in the simple stage of agricultural economy.

Review of the phenomenal development of industrialism in both the New and the Old World, and recognition of the constant increase in population and in the number gainfully employed in present-day industry point toward a long-term increase in the working population of the United States. And when the volume of national employment is properly understood to mean the total number of man-hours worked during the specified period in question, it is obvious that American employment has been increasing constantly for many decades with a few cyclical exceptions, to be noted later.

Unemployment, on the other hand, is a much less concise phenomenon. Any person who fails to work can be thought of as being "unoccupied" and, therefore, in a sense unemployed for the duration

of his unoccupancy. But the seriousness of the unemployment problem resulting therefrom will depend upon the duration of the period of idleness. The individual may be wholly unoccupied for a period of long-continued unemployment; he may be the victim of temporary business fluctuations where a reasonable expectation of re-employment at any time exists; or he may suffer from seasonal unemployment in the pursuit of certain trades or as a casual laborer.

Thus unemployment is a very general term, implying a wide variety of conditions and degrees of idleness. But all of its forms have one basic characteristic. Any person of legal working age between school and retirement who is unable to secure reasonably suitable work is generally thought of as being unemployed. The term "unemployment" when used in a comprehensive sense refers to all occupational idleness, no matter what the cause, whether within or beyond the control of the unemployed worker. Thus interpreted, unemployment is the failure to make a labor contract or to continue such a contract when it has been negotiated; it involves the stoppage of work coupled with the difficulty of finding employment elsewhere. The failure to make a labor contract may result from physical or mental disability, unwillingness to work on the part of those who are able, or the impossibility of finding employment even when individuals are willing to work.¹ These varied conditions make it necessary to distinguish between the three main types of idleness, namely, irregular employment, underemployment, and unemployment. *Irregular employment* occurs when a worker, because of the variable demand for his labor or his own tendency to idleness, loses a large amount of time. *Underemployment* exists when a worker is unable to secure enough work to provide a bare minimum of subsistence and must rely upon charitable agencies to sup-

1. The administration of unemployment compensation schemes by various industrial nations of the world has forced the adoption of a much narrower technical definition of unemployment than the above definition suggests. Generally speaking, under these plans an unemployed person is "a man or woman or juvenile of working age, between school-leaving age and the pensionable age, who is technically and physically fit for a job, willing to work, but unable to find work." (The Royal Institute of International Affairs, *Unemployment, an International Problem*, p. 26). In practice, however, there are many limitations and qualifications even to this definition of the term.

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plement his income. *Unemployment* develops when a worker is capable and willing to work but cannot find employment because of general economic conditions or maladjustment within the plant or industry.

In analyzing the problem of unemployment one must also distinguish between the unemployed and the unemployable. Unemployability, that is, disability developing from illness, old age, or some other personal condition, is not identical with the problem of unemployment. The former is essentially a social problem; the latter is a problem of both industry and society. Of course, in so far as unemployability is the result of occupational poisons, overwork, and unsanitary and unsafe conditions of labor, it also is a problem of industry, since its solution to a large extent depends upon the removal of undesirable industrial conditions. Moreover, in so far as low wages result in undernourishment and illness and in a penurious old age, industry must be held responsible for the problem of unemployability.

The discussion in this chapter will be centered around the problem of the unemployment of all those workers who are capable of and available for work, but who, through no fault of their own, are unable to effect a labor contract. Problems arising out of the presence of unemployables and underemployed among the nation's people will be considered in Chapter 28.

THE EXTENT OF UNEMPLOYMENT. Unemployment has never been completely measured, but statistical data are sufficiently adequate at least to indicate the seriousness of the problem.² Information for periods of business depression illustrate how severe the situation may become. The United States census for 1900 showed that 6,468,964 workers, or nearly one-fourth of all persons engaged in gainful occupations, had been unemployed sometime during the year.³ Of these more than 3,000,000

2. In the discussion in this chapter the reader must realize that even though careful and painstaking attempts have been made by the authors to assemble the most reliable figures obtainable on unemployment, acceptable data are scarce. Also, practically all data are estimates.

The term "unemployment" used in these estimates is not very well defined. The number of unemployed is arrived at by subtracting from the total "labor supply" the number of people actually employed.

3. U. S. Department of Commerce, Bureau of the Census. Special Reports, *Occupations at the Twelfth Census*, Washington, 1904, p. ccxxviii.

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lost from one to three months of work and more than 736,000 lost from seven to twelve months.⁴ At least 4,000,000 workers who were employed in September, 1907, were unemployed in January, 1908.⁵ The unemployment period of 1907-1908 had scarcely subsided when the outbreak of the war in Europe caused a severe slump in American industry and business. In May, 1914, 4,000,000 wage earners were unemployed, and by December the total had increased to 5,500,000.⁶ If those working only part time are included, the total would approximate 7,000,000.

Because of the extraordinary demand for American goods that soon developed among European belligerents, our industries quickly recovered from the slump of 1914 and there followed several years of unprecedented employment opportunities. Then prosperity and abundant work again gave way to business depression and widespread unemployment. The number of unemployed wage earners was approximately 4,000,000 in 1921, and by the winter months of 1921-1922 the total had reached a figure variously estimated at between 5,000,000 and 6,000,000. These figures do not give a complete picture of the situation because they do not include approximately 4,000,000 workers who were only partially employed.

Serious as the postwar depression was in throwing millions of American wage earners out of work, its results faded into the background of importance during the great depression years following 1930. The federal census of April, 1930, showed 3,187,647 (out of a total of 48,800,000) able-bodied, willing, and anxious workers out of a job.⁷ This study further showed that about 36.9 per cent of those counted in the census among the unemployed had been idle for less than a month, while about 2.6 per cent had not worked for over a year.⁸

Such was the manner in which the Great Depression started on its downward course. In little less than three years an all-time peak of

4. *Ibid.*, p. ccxxxiv.

5. Hornell Hart, *Fluctuations in Unemployment in the Cities of the United States, 1902-1917*, pp. 51, 52.

6. *Ibid.*, pp. 48-51.

7. U. S. Department of Commerce, Bureau of the Census. Fifteenth Census of the United States, 1930, *Unemployment*, Washington, 1932, vol. ii, p. 2.

8. *Ibid.*, p. 317.

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TABLE II

UNEMPLOYMENT IN MANUFACTURING, TRANSPORTATION,
BUILDING TRADES, AND MINING, 1897-1926
(in thousands)

Year	Total Labor Supply	Total Unem- ployed	Percent- age Un- employed	Year	Total Labor Supply	Total Unem- ployed	Percent- age Un- employed
1897	7,015	1,266	18.0	1912	11,124	775	7.0
1898	7,164	1,214	16.9	1913	11,357	936	8.2
1899	7,327	766	10.5	1914	11,570	1,899	16.4
1900	7,527	755	10.0	1915	11,725	1,822	15.5
1901	7,805	584	7.5	1916	12,189	774	6.3
1902	8,347	569	6.8	1917	12,841	774	6.0
1903	8,702	609	7.0	1918	13,081	719	5.5
1904	8,748	883	10.1	1919	12,841	880	6.9
1905	9,349	622	6.7	1920	13,006	938	7.2
1906	9,817	577	5.9	1921	12,599	2,913	23.1
1907	10,129	695	6.9	1922	12,777	2,338	18.3
1908	10,103	1,654	16.4	1923	12,837	1,010	7.9
1909	10,394	925	8.9	1924	12,573	1,506	12.0
1910	10,726	774	7.2	1925	12,552	1,120	8.9
1911	10,921	1,025	9.4	1926	12,793	962	7.5

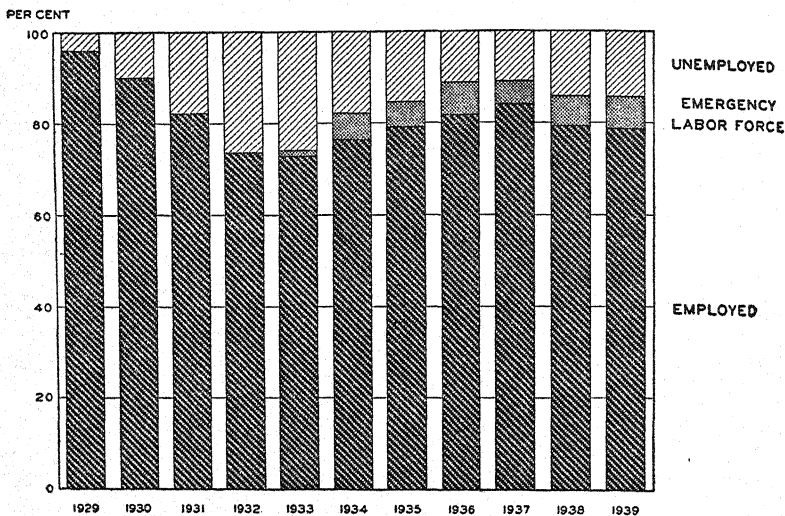
SOURCE: Paul H. Douglas, *Real Wages in the United States, 1890-1926*, (Boston, Houghton Mifflin, 1930), p. 460. Reproduced by permission of the publisher.

unemployment in the United States was reached, at which time some 15,000,000 American workers were idle.⁹ At this point certain artificial and natural forces entered the economic life of the nation and the number of unemployed decreased until the recession of 1937 set in. The November, 1937, special federal unemployment census indicated that the number of those who at that time considered themselves totally unemployed but able to work and wanting work was approximately 10,983,000,¹⁰ although estimates of both the National Industrial Conference Board and the American Federation of Labor shown in Chart 5 were considerably lower than this amount. By the spring of 1938, eight

9. Available figures for this period are approximate only. The National Industrial Conference Board estimated the peak of unemployment reached in March, 1933 to number approximately 14,706,000; the American Federation of Labor estimate was 15,653,000.

10. Final Report on Total and Partial Unemployment, 1937, *The Enumerative Check Census*, Washington, 1938, vol. iv, p. 17.

PERSONS EMPLOYED, UNEMPLOYED, AND THE EMERGENCY LABOR
FORCE EXPRESSED AS PERCENTAGES OF THE TOTAL NUM-
BER OF PERSONS GAINFULLY EMPLOYED IN THE
UNITED STATES, 1929-1939



SOURCES: The number of persons available for employment, employed, and total unemployed (including the Emergency Labor Force) was obtained from the American Federation of Labor. 1929-1934: *American Federationist*, vol. 44, July, 1937, p. 763. 1935-1939: *ibid.*, vol. 46, July, 1939, p. 755.

(Note: The figure for 1937 of the total number of persons available for employment stated in the above publication was evidently a mistake. A new figure was computed by the authors, by taking the monthly average for the whole year 1937.)

Emergency labor force includes: CCC, CWA, WPA, PWA, NYA [projects], FERA, and other federal projects not financed from regular funds. Figures given by the various governmental publications as to the size of the emergency labor force differ. Some take a monthly average, others take the number employed during the last week of a given month, or the maximum number employed during the month.

Data on employment on federal emergency work programs were obtained [May, 1934-January, 1936] from U. S. Bureau of Labor Statistics, *Employment and Pay Rolls*, January, 1936, p. 25. All other figures from April, 1933 to December, 1938 were taken from: Works Progress Administration; *Analysis of Relief and Employment on Federal Work and Construction Projects*, January, 1939, pp. A-1, A-2. From January, 1939, to April, 1939, all figures were obtained from the current issues of *Employment and Pay Rolls*.

The estimates of unemployment [including those of the A. F. of L.] indicate the number of people who have their jobs rather than the number of unemployed.

It should be emphasized that the percentages in the chart refer not to total population but only to the number of persons available for employment [what the census terms "gainfully employed"]. The phrase "available for employment" probably includes those who are sick, or temporarily disabled, but who follow some "gainful occupation." Since the whole estimate is approximate only, this distinction is not important.)

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years after the depression had begun, we were witnessing the continuation of an army of more than 11,000,000 unemployed workers. Since then slow progress toward recovery has led to further employment, yet by January, 1940 the American Federation of Labor estimated the number of idle workers to be the staggering sum of 10,381,389.

The census of November, 1937, showed the number of people who were unemployed (or at least regarded themselves as unemployed) as high as 10,983,000. This was 29.5 per cent higher than the estimate of the American Federation of Labor of that month (8,479,000). This difference was caused by a much larger number of women seeking work than could have been expected according to the 1910-1930 trend.¹¹

These depressing conditions were experienced not only in the United States. Industrial nations the world over, almost without exception,¹² also experienced phenomenal decreases in employment. In May, 1933, when American estimates indicated that almost 14,615,041 workers had lost their jobs (28.9 per cent of the gainful workers),¹³ foreign estimates showed over 5,000,000 (27 per cent) unemployed in Germany and over 2,600,000 (20 per cent) unemployed in the United Kingdom.¹⁴ The employment exchange records of Great Britain show that in May, 1933, no fewer than 750,000 men had, at that time, been unemployed for at least six months, almost two-thirds of whom (460,000) had actually been idle for a year or more.¹⁵ Examination of the records of most of the other industrial nations of Europe presents a condition almost equally depressive.¹⁶ The International Index of Unemployment published by the International Labor Office shows that by the end of 1932 unemployment was almost three times as widespread among leading industrial nations of the world as it was in 1929—a year in which there was already heavy unemployment in many foreign countries.¹⁷ The Great Depression was in reality a world depression.

11. For a complete explanation see *Final Report on Total and Partial Unemployment, 1937, op. cit.*, pp. 16-17 and 109-13.

12. The U.S.S.R. and Japan represent two notable exceptions to this statement.

13. American Federation of Labor, *The Federationist*, vol. 43, January, 1936, p. 71.

14. Royal Institute of International Affairs, *op. cit.*, p. 41.

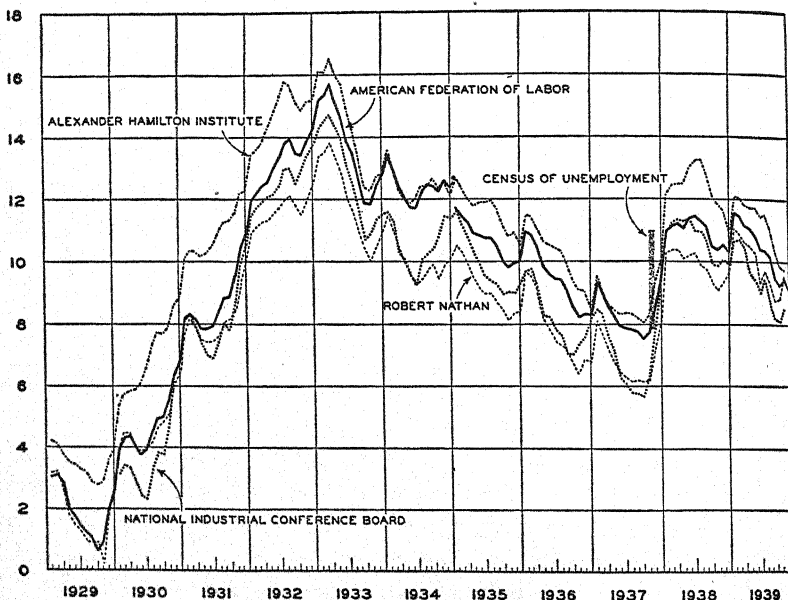
15. *Ibid.*, p. 57.

16. See statistical data presented in *ibid.*

17. *Ibid.*, p. 91.

CHART 5
ESTIMATES OF UNEMPLOYMENT IN THE UNITED STATES,
JANUARY, 1929-DECEMBER, 1939

MILLIONS OF
PERSONS



SOURCE: *Social Security Bulletin*, vol. 2, July, 1939, pp. 80-1; vol. 3, February, 1940, p. 81.

(Note: The figures of the A. F. of L. have been revised since January, 1935. The year 1934 has not been revised; therefore the figures are not quite comparable, and the curve is discontinuous from December, 1934 to January, 1935. (See above publication, p. 81.)

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But one must not gather from these facts the impression that the problem of unemployment is confined to intermittent periods of business depression. Professor Paul H. Douglas has estimated that during the thirty-year period preceding 1926 unemployment in manufacturing,

TABLE 12

PERCENTAGE OF UNEMPLOYED PERSONS IN SELECTED COUNTRIES,
1929-1938

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Belgium										
(Percentage of total possible working days spent idle)										
Voluntary Unemployment										
Insurance statistics	1.9	5.4	14.5	23.5	20.5	23.4	21.7	16.2	13.1	17.6
Canada										
Estimates, Employment Exchange statistics	4.2	12.8	17.4	26.0	26.5	20.6	19.1	16.7	12.5	15.1
Germany										
Employment Exchange statistics (since July 31, 1933, not including persons employed in labor camps)	9.3	15.3	23.3	30.1	26.3	14.9	11.6	8.3	4.6	2.1
Great Britain and Northern Ireland										
Unemployment insurance statistics	10.4	16.1	21.3	22.1	19.9	16.7	15.5	13.1	10.5	12.6
Japan										
Official estimates	No data	5.3	6.1	6.8	5.6	5.0	4.6	4.3	3.7	3.0
Sweden										
Trade union returns	10.7	12.2	17.2	22.8	23.7	18.9	16.1	13.6	11.6	11.8
United States										
Estimates of American Federation of Labor (including emergency labor force) . . .	3.9	9.8	17.7	26.3	27.1	23.6	20.8	18.2	15.8	20.7
(Excluding emergency labor force *)	3.9	9.8	17.7	26.3	25.8	17.8	15.3	11.1	10.9	14.2

SOURCE: *International Labor Review*, vol. xl, July, 1939, pp. 98-101.

* The authors' computations.

(Note: These figures are not quite comparable, owing to the differences in sources and methods of estimates. Thus, beginning with July 31, 1933, persons employed in labor camps have not been included in the German statistics of unemployment, while workers in the emergency labor force in the United States [such as WPA, CCC, NYA, PWA, etc.] have been regarded as unemployed.)

For more data on unemployment in the various countries, 1929-1938, as well as for more detailed explanation, see the above reference, pp. 96-101.)

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mining, the building trades, and transportation industries in the United States averaged over 10 per cent of the attached labor supply and that at no time during this period did it fall below 4 per cent.¹⁸ While it is true that the problem varies in acuteness as the business cycle moves along its oscillating course, still it exists as a practical problem at all times. In not a single month during the eight years preceding 1939 did the total number of unemployed throughout the nation fall below the 6.5 million level (see Chart 5); and, at a time when real national income came within 5 per cent of reaching an all-time peak (1937), there still were on the nation's unemployed rolls some 7 to 11 million idle workers.

As has been noted above, the United States does not appear to advantage in comparison with other industrial nations. Comparative international figures are inadequate, but the statistical data available indicate that industrial fluctuations are more pronounced here than in most other countries. As a consequence the variation in the mean percentage of unemployment is greater.¹⁹ The prewar percentage of unemployment in the United States was normally about three times as great as in England or Germany, and the fluctuations were more violent.²⁰ Postwar percentages continue to indicate a larger fluctuation in unemployment here than in other democratic countries abroad. As Table 12 shows, however, the Great Depression did not spare any country, large or small (with the exception of Japan and Russia), and the percentage of unemployed in 1932 reached the maximum of 31.1 in Germany, 23.5 in Belgium, and 22.1 in the United Kingdom, as compared with our own peak of 27.1 in 1933 (including the emergency labor force). In explanation of this difference it should be observed that at least prior to 1932 unemployment was comparatively light in relatively small, compact, and densely populated industrial communities such as those of England, Belgium, and Germany. Because of the ex-

18. Paul H. Douglas, *Real Wages in United States, 1890-1926*, pp. 459-60.

19. See Paul H. Douglas and Aaron Director, *The Problem of Unemployment*, pp. 48-54.

20. Eighth Annual Report of the Secretary of Labor, 1920, pp. 142-3.

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traordinary political developments which have taken place in Germany, no real significance can be attached to the percentages for this nation since 1933.

In the United States, on the other hand, vast in territory and possessing a great number of industries scattered over a wide area, the unemployed worker is often stranded in the community in which he finds himself. His ignorance of the labor market and the distance that separates him from the opportunity for work more than neutralize the greater mobility commonly attributed to the American wage earner. The problem of unemployment in the United States has been not only more continuous but more acute than in smaller countries, and its solution has been correspondingly more difficult. Then, too, there are to be considered the long-standing influences of progressive labor legislation and social insurance abroad, which only since the present recovery period have been instituted to any appreciable extent in the United States. Time alone can tell how significant these measures will be in reducing the heretofore extreme fluctuations in unemployment percentages in this country.

THE CAUSES OF UNEMPLOYMENT. A knowledge of the causative factors in unemployment is fundamental to a proper understanding of the problem and the proposed solutions. Many classifications of the causes have been made, but they have differed more in form than in content.²¹ These causative conditions fall roughly into four main classes:

1. Economic

- (a) Seasonal fluctuations in business.
- (b) Cyclical fluctuations in business.
- (c) Evolutionary changes in industry.
- (d) Complexity of the demand for labor and the supply of labor.

21. Cf. Beveridge, *Unemployment: A Problem of Industry*; Douglas and Director, *op. cit.*; Lescohier, *The Labor Market*; Millis and Montgomery, *Labor's Risks and Social Insurance*, p. 1-120; National Industrial Conference Board, *The Unemployment Problem*; Royal Institute of International Affairs, *op. cit.*; *Unemployment in the United States*, Hearings before the Senate Committee on Education and Labor, 75th Cong., 3d sess., Washington, 2 volumes; U. S. Industrial Commission, *Final Report*, vol. xix, pp. 746-63; U. S. Commission on Industrial Relations, *Final Report*, pp. 36-8, 104-5.

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- (e) Miscellaneous economic factors, including the labor reserve, strikes and lockouts, deficiencies in industrial management, and a wasteful system of commodity distribution.
- 2. Socio-Economic
 - (a) Unequal distribution of wealth and income.
 - (b) Land monopolization.
 - (c) Immigration.
 - (d) Inadequate organization and control of the labor market.
 - (e) Lack of facilities for industrial training.
- 3. Personal
 - (a) Physical and mental disability.
 - (b) Inefficiency.
 - (c) Moral delinquency.
- 4. Political
 - (a) Fiscal policy.
 - (b) The tariff.
 - (c) Foreign policy.

Space does not permit a thorough discussion of this inclusive category of causative factors. Because of their paramount importance, seasonal fluctuations and the business cycle must receive the major emphasis in any review of the causes of unemployment.

SEASONAL FLUCTUATIONS IN INDUSTRY. Industrial fluctuations are of two types: seasonal variations in which the complete cycle of falling and increasing activity is completed within a period of one year; and cyclical fluctuations, in which the change extends over a number of years. The former are trade variations, usually affecting each trade or group of trades in a peculiar and distinctive manner at a particular time; the latter affect practically all trades alike, resulting in fairly uniform periods of activity and depression.

Seasonal fluctuations are a common characteristic of modern business. Certain trades and industries are notorious for their seasonality, among which are building operations; coal mining; steel, automobile, and clothing manufacture; fruit and vegetable canning; the manufacture of Christmas and other holiday specialties; and agriculture. It must not be thought that seasonal variations in business activity are confined to relatively few types of industry and business. As a matter of fact few, if any, business enterprises are completely free from such

variations. Most of them have their alternation of busy and slack months.

The actual amount of seasonal unemployment is difficult to measure because of the different forces and conditions that contribute to the ebb and flow of business activity in different types of enterprise. Moreover, facilities for collecting the necessary data have not yet been fully established. The seriousness of this phase of the unemployment problem in the United States can, however, be illustrated by information and estimates that have appeared in a number of reliable studies.

Many seasonal industries employ a large force of skilled, semiskilled, and unskilled workers who attach themselves more or less permanently to those industries and depend upon them for a livelihood the year round. Such, for example, are the building trades, coal mining, and the manufacture of clothing. How far short these industries come in providing all-year-round employment may be seen from available data and estimates. A full-time year in the bituminous coal industry is reported to be 308 days, allowing 52 Sundays and 5 holidays; but the average number of days worked by bituminous miners over a thirty-two year period prior to the last depression was 213, or about 70 per cent of a full-time year.²² An almost identical situation was revealed in the anthracite coal industry. This means that in both divisions of the American coal industry the miner can expect about 92 days of idleness, or 30 per cent of the estimated full working year, with consequent loss of income.²³ The construction industry, employing almost 2 million workers in 1937, is so operated that many of the crafts are out of work three months each year, and relatively few workers have an opportunity to continue their employment beyond a nine-month period.

Employment fluctuations in seasonal industries, while not completely the same for each industry, have a general tendency to result in peaks of demand in spring and fall, with depression variations in mid-summer and winter. Peaks of high production and hollows of low

22. U. S. Bureau of Labor Statistics, *Monthly Labor Review*, vol. xviii, January, 1924, pp. 123-4.

23. See the unadjusted monthly seasonal indexes for this industry as set forth in the 1936 Supplement, *Survey of Current Business*, p. 33; and the 1938 Supplement, p. 37.

production vary in time, regularity, and range with the different trades; they tend to be less marked in certain large-scale than in small-scale industries. A study of the high and low index numbers of employment over the twenty-year period from 1919 to 1938, inclusive, shows that, while the seasonal highs and lows of the year shift a month or so from year to year, unless caught in the swirl of the business cycle, employment usually reaches its highest point during the fall months of the year, and its lowest point during either midsummer or shortly after the Christmas holidays.²⁴ But Table 13 shows that when the trend was upward, December often tended to have a high index, and January a low one. When the trend was downward (1929-1931), December had the lowest index. Agricultural occupations have a high summer peak but they release several million laborers in the winter, a large number of whom drift to our cities where they swell the already abnormal labor surplus.

TABLE 13
HIGH AND LOW INDEX NUMBERS OF EMPLOYMENT IN
MANUFACTURING INDUSTRIES, 1919-1939
(1923-1925 = 100)

Year	High		Low		Year	High		Low	
1919	Dec.	113.9	Feb.	101.2	1930	Feb.	98.3	Dec.	82.9
1920	March	115.6	Dec.	88.0	1931	Mar. & Apr.	81.2	Dec.	72.0
1921	Oct. & Nov.	83.7	Jan.	79.5	1932	Feb.	71.2	July	61.0
1922	Dec.	99.1	Jan.	82.4	1933	Sept.	85.0	March	62.3
1923	June	105.7	Jan.	100.2	1934	May	89.0	Jan.	78.8
1924	March	101.9	July	90.6	1935	Oct.	95.2	Jan.	86.6
1925	Oct.	102.6	Jan.	96.6	1936	Dec.	104.4	Jan.	92.1
1926	Sept.	104.0	July	99.6	1937	Aug.	109.1	Dec.	94.5
1927	Sept.	101.2	Dec.	96.5	1938	Dec.	91.1	June	81.6
1928	Oct.	103.5	Jan.	95.3	1939	Dec.	104.0	Jan.	92.2
1929	Sept.	110.3	Dec.	100.7					

SOURCE: From 1919 to 1937 inclusive: U. S. Bureau of Foreign and Domestic Commerce, *Survey of Current Business*, vol. 18, December, 1938, p. 15, Table 1. 1938: *ibid.*, vol. 19, February, 1939, p. 65. 1939: *ibid.*, vol. 20, February, 1940.

(Note: The index numbers used here were not adjusted for seasonal variations so as not to defeat the purpose of their presentation.)

24. Compare W. S. Woytinsky's, *Fluctuations in Employment Covered by the Federal Old-Age Insurance Program*.

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Many other industries that necessarily have a high degree of seasonality (such as fish, fruit, and vegetable canning; lumbering; and the loading and unloading of ships) employ a large number of casual, unskilled workers who migrate freely in response to demand. It is important to note, however, that employees of even the largest organizations and industries suffer constantly from the seasonality of their employment. In June, 1933, the total number of workers employed in the iron and steel industry was 338,146; three months later (September) the number was 417,020.²⁵ During March, 1933, the industry reported that its operations were 15.69 per cent of capacity; in July of the same year they were 55.46 per cent of capacity. In January, 1937, the average number of employees of General Motors Corporation was 150,060; by April of that same year it was 223,509.²⁶ Employment for the entire automobile (body and parts) industry averaged 517,000 for the year 1937, but the actual employment by months was:²⁷

January	504,180	July	525,121
February	513,040	August	478,005
March	529,953	September	453,036
April	548,477	October	539,215
May	563,780	November	534,383
June	554,921	December	464,000

American railroads employed 134,434 fewer workers in December, 1937, than they did five months previously, a decrease of 11.4 per cent.²⁸ In the men's and women's clothing industries employment during the peak seasons (spring and fall) sometimes has been twice as great as during slack seasons (summer and winter).²⁹ Seasonal fluctuations in clothing as well as in the manufacture of women's hats are caused by changes in climatic conditions, custom, seasonal changes in consumption, and the tyrannous and exacting demands of fashion.

Climate is the sole determinant of cultivating, sowing, and harvesting periods and all activities depending upon these, such as canning.

25. Senate Committee on Unemployment and Relief, pursuant to Senate Resolution 36, 75th Congress, 3rd Session, 1938, p. 808.

26. *Ibid.*, p. 209.

27. *Ibid.*, p. 213.

28. *Ibid.*, p. 412.

29. See *Unemployment in the United States*, Senate Resolution 219, 70th Cong., 2d sess., Washington, 1929, pp. 354, 388.

Weather likewise affects building activities. Coal mining, the manufacture of gas, and the production of automobiles are influenced by seasonal consumption. Seasonal demand, existing in its extreme form in the pre-Christmas business activity, causes a great temporary increase in demand for workers in industries catering to the holiday trade and all mercantile establishments that are media for such trade, from the mail-order house to the retail store. In many industries irregular employment is doubtless the result of custom. Even in the building trades custom is held by some to be the dominant factor.

The distress incident to irregular and intermittent employment in seasonal industries is likely to be less severe than might be supposed. This is attributed to a number of conditions. In many industries, such as coal mining, railroading, and automobile manufacturing, the severity of distress is lessened by the distribution of work on a part-time basis or the temporary shortening of the working day, so that relatively few employees are completely laid off. The worker is thus assured a portion of his regular income. Many workers, especially semiskilled and unskilled, migrate from the seasonal industries to more steady ones during the slack seasons. Not a few migrate to warmer sections of the country where construction work and other outdoor employment continues more or less unabated throughout the year. Then, there is a tendency to accept seasonal employment as inevitable and to insist that the wage scale during the active production period be sufficiently high to compensate to some extent at least for the risk of unemployment in the slack season. The success of such a demand is extremely uncertain. If some form of unemployment compensation exists, it helps the workers to tide over the dull period. Not infrequently the workers and their families live by using their credit to the utmost, in anticipation of repayment when the period of active work begins again.³⁰ While all these compensatory conditions are quite reassuring, they constitute little comfort for the workers who year after year must suffer from this

30. As, for instance, acceptance of a certain percentage of wages by workers laid off from the pay roll of General Motors Corporation in anticipation of returning to work for the company at which time the wage extensions are repaid upon a budgetable basis.

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constant sense of economic insecurity and who face frequent readjustment or actual deterioration of their standard of living. One must not forget, moreover, the demoralizing effect of irregularity of work.

One of the tragedies of seasonal employment lies in its tendency to build up in each industry a labor reserve to meet the demands of the busy season, thus causing not only unemployment at specified times but underemployment during the rest of the year.

THE BUSINESS CYCLE AND UNEMPLOYMENT. Cycles of business prosperity and depression are a prominent characteristic of modern industrialism; periods of great industrial activity alternate with periods of general business depression. From ten to fifteen years is usually required for a wave of unemployment to rise to a peak and fall again to a low level, but within these greater waves there are small fluctuations with lessened employment occurring every four or five years. In the United States, for example, relatively great unemployment resulted from general industrial depression in 1892-1893, 1904-1905, 1907-1908, 1913-1914, 1920-1922, and 1930-1935. Except for minor variations, general prosperity characterized the years between these periods. Panics and depressions stop the wheels of industry and cause immeasurable suffering to the working classes.

Recurrent periods of prosperity and depression have led many persons to believe that modern industry, based on the competitive system and uncontrolled by state action, can grow only through a succession of periods of rapid expansion followed by actual or relative contraction. Business cycles—recurrences of prosperity, recession, depression, and revival in business activities—are a peculiar characteristic of the economic system that has developed within the last few centuries. A glance at the various phases of the business cycle will reveal its importance as the dominant factor in unemployment.³¹

At whatever stage in the business cycle an analysis begins, the conditions that appear are but the resultants of antecedent phenomena in the preceding stages. In the upward swing, or period of revival, there is

31. For a detailed analysis see Wesley C. Mitchell, *Business Cycles, The Problem and Its Setting*, pp. 571-9, and John Maynard Keynes, *The General Theory of Employment Interest and Money*, chap. 18.

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constantly increasing business activity. Prices are low relative to the level that existed in the stage of prosperity, so also is the cost of doing business. The banks have considerable idle funds and are disposed to encourage constructive business ventures. New enterprises are thus freely launched and old ones find increasing outlets for their products. The margin of profits is comparatively narrow, but with favorable credit conditions the traditional optimism of entrepreneurs manifests itself, and there is great hope for wider margins of gain. A goodly measure of caution still characterizes the extension of credit and the buying policies of business establishments. Low prices, however, encourage expansion in the volume of trade and in the employment of labor. Regular employment increases purchasing power and helps to accelerate revival. Credit becomes easier and revival spreads to all divisions of the business field. Extractive and manufacturing industries, transportation agencies, financial institutions, wholesalers, jobbers, and retailers soon feel the effect of the tonic. An active and effective demand causes prices and the rates of interest and discount to rise. Higher prices reflect themselves in larger profits and greater business expansion. Prosperity is in full swing and eventually reaches its height.

In the latter part of the stage of prosperity, certain developments create a feeling of uncertainty and there is some misgiving with regard to the future of prices and profits and the continuation of business activity. New enterprises meet with unexpected obstacles, while those partly developed find it necessary to bid high for the funds they need. Prices have advanced faster than wages, and the increase in the cost of living forces the workers to demand higher wages. Prices exceed effective purchasing power. The downward swing begins. Credit is tighter, rates of discount rise, and scarcity of money is experienced. Refusal to renew old loans and make new ones soon causes pessimism to replace optimism. Banks fear that credit has been overexpanded, and the definite policy of contraction is initiated. Wholesale liquidation of credits takes place and a crisis develops. The process of liquidation is likely to be precipitous, since creditors will press their debtors in order to have their obligations paid. Not profitmaking but the maintenance of solvency is now the urgent problem faced by businessmen. Finan-

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cial resources are nursed, sales pressure is relaxed. Orders fall off rapidly, the prospect of profits is slight, and expansion gives way to contraction. Commodity prices fall, workers are laid off, plants are shut down or operated only on a part-time basis. The crisis may develop into a panic if well-known banking enterprises fail.

The period of depression gradually sets in, spreads over the whole field of business, and becomes more acute. As increasing numbers of workers are laid off, the demand for commodities naturally declines. All lines of business soon feel the effect of this, and further contraction results. Falling commodity prices continue on to lower levels under the influence of more severe competition. No new industries are launched. Cash accumulates in the banks, reserves are high, rates of interest and discount are low, and prices fall. After a few years the bottom is reached, and recovery and revival slowly begin. The forces that caused depression set in motion forces that overcome it, and the old round is repeated. Professor John R. Commons summarized the matter thus:³²

Prices rise; wages rise; profits swell; everybody is confident and overconfident; speculation overreaches itself; the future looks more assuring than it is; too many buildings and factories are constructed; then the inevitable collapse. Hundreds of thousands are laid off. Business establishments go into bankruptcy or liquidation. The credit system breaks down. Then the cycle repeats itself.

There have been numerous attempts to explain these cyclical fluctuations, but space does not permit full analysis of the many finely spun theories. Underconsumption is said by some to be the basic cause. The existence of surplus incomes leads to oversaving and overinvestment of capital by a few, while at the same time the great masses of people are without purchasing power. The problem, therefore, is how to make the demand effective, that is, to increase the consuming power of the masses. Overproduction is often mentioned as the fundamental cause of depression and unemployment. This is true only if overproduction in relation to effective demand is meant, since there can be no such thing

32. "Prevention of Unemployment," *American Labor Legislation Review*, vol. xii, March, 1922, pp. 19, 20. Quoted with permission of the publishers.

as general overproduction when the majority of the world's population is deprived of the necessities and reasonable comforts of life. Closely connected with this is the deep-seated conviction held by many persons that the root of the difficulty is to be found in the actions of a large majority of the population which lives beyond its economic means. Other persons have contended that the trouble lies in competition; the eagerness to get the largest possible share of the market and of the profits sooner or later leads to production in excess of effective demand and to glutting of the market. The result is that depression and unemployment prevail until accumulated stocks and commodities are cleared and demand is revived.

Some writers have contended that so-called cyclical unemployment is the result of the inflationary effects of wars; others that climatic conditions brought on by solar phenomena cause good and bad crops, which in turn have a very significant influence upon prices of farm products and other commodities. Most students of the problem, however, believe that all these forces influence the supply of and demand for goods and services and thus the supply of and demand for labor, but beyond this it must be frankly admitted that one cannot be too sure of causal relations. An analysis of the literature on the subject shows the presence of at least three schools of thought, each emphasizing a different explanation of the cause of the trade cycle and its consequent unemployment.³³

The capitalistic-economy school, leaders of which were J. K. Rodbertus and Karl Marx, who are currently followed by a large number of ardent socialists, maintains that trade cycles are the inevitable result of a structure dominated by the profit motive which encourages constant exploitation of labor through low wages and long working hours,³⁴ the results of which can be remedied only by the establishment

33. This is the classification suggested by Professor A. H. Hansen in his *Business Cycle Theory* (Boston, Ginn, 1927). For an excellent analysis of this subject see Millis and Montgomery, *op. cit.*, vol. i, pp. 39-50.

34. See J. K. Rodbertus, *Overproduction and Crises* (1898 translation) and Karl Marx, *Capital*. J. A. Hobson, in *The Economics of Unemployment*, has modified this general theory somewhat by emphasizing the maldistribution of wealth and income.

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of a nonprofit planned economy. Only among those who are opposed to the present order has this explanation gained any significant endorsement; it has received little recognition within the body of orthodox economists since the days of Jean Baptiste Say.³⁵

A second school composed of those committed to the principles of money-and-exchange economy explain the business cycle and its consequent unemployment in terms of credit and price fluctuations which demand, as a solution, some form of price control. Professor Fisher would stabilize (relatively speaking) the trade cycle by varying the gold content in the dollar (or the dollar price of gold); Professor Pigou would steady the cycle by making the supply of labor more elastic; while Mr. Keynes has suggested the possibility of changing the rate of interest.³⁶

Current in labor circles is the belief that unemployment arises chiefly from the workers' lack of purchasing power, that it is the result of under consumption, which in turn is caused by low and insufficient wages and long hours of work. Through the shortening of hours of work, wage earners now unemployed will be brought back into our normal business organization. Through the maintenance of existing earnings and the placing of effective purchasing power in the hands of those who have been deprived of incomes by unemployment, total purchasing power throughout the nation will be increased. By the releasing of a tremendous volume of potential consumers' demand, industrial activity and production will be stimulated, which will release the flow of credit in private business from the normal consumer, who constitutes

35. This noted French economist, writing shortly after Adam Smith's first contribution in economics, maintained that "production and demand are merely the obverse and reverse of the same phenomenon, and that therefore a fundamental disparity between them is impossible." (See a full analysis of this concept in Millis and Montgomery, *op. cit.*, p. 41.)

36. See especially E. F. M. Durbin, *Purchasing Power and Trade Depression: A Critique of Underconsumption Theories* (1933); Irving Fisher, *Booms and Depressions* (1932); A. C. Pigou, *Industrial Fluctuations* (1929); J. M. Keynes, *The Means to Prosperity* (1933) and *The General Theory of Employment, Interest and Money* (1936). Also see R. G. Hawtrey, *Trade and Credit* (1928); D. H. Robertson, *Banking Policy and the Price Level* (1926); and F. A. Hayek, *Prices and Production* (1931) and *Monetary Theory and the Trade Cycle* (1933).

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the ultimate source of credit. This will provide widespread employment and material means for higher standards of living for the American people, and it will make effective new and widespread demand for goods and services. In other words, just wages to the workers bring about a corresponding increase in their consuming capacity, thus creating a market at home which will far surpass any market that may exist elsewhere. In this manner are adequate wages thought to be the eradication of unemployment.³⁷

The trade-union theory approaches so closely the theory of overproduction (or underconsumption) that a further analysis of this explanation seems necessary. Is it true that unemployment results largely from a condition in which laborers are found to be earning in wages less than an amount necessary to enable them to buy back the products of their own labor, thus bringing on a period of decreasing consumption and employment and ending in widespread unemployment? Are recovery and re-employment to be brought back by means of a continuation of relatively high wage rates and labor costs, which employers say is a major factor making impossible a revision in prices so necessary to stimulate demand, employment, and recovery? Or is the situation to be met by means of a lowering of wage rates in the hope of being able to reduce prices and stimulate a wider demand for the nation's products and rebuild employment? Workers say the latter course would reduce their purchasing power, thus decreasing total demand and employment.

Let us suppose that a condition exists in which wage rates and employee earnings are relatively low and employment in general is very widespread. This means that labor costs are low, and that practically no unemployment exists. How long can such a balance continue? Obviously under such circumstances laborers are not being paid in real wages the equivalent of their productivity and, as the trade unionists would say, they cannot buy back what they produce. Hence, inevitably demand for goods will lessen and unemployment will begin to spread. Soon, it

37. Argument presented by William Green in defense of the thirty-hour week, 1936.

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would appear, the nation will be in the midst of a period of depression and widespread unemployment.

Further analysis, however, will reveal that the case is not so simple as it may appear to be upon first thought. The assumption was made above that the laborers' demand will subside. The demand for what? The demand for bread and food and shelter may not be so great when wages are low as when wages are high. But the total national income need not be different in either case, since it is measured in terms of the total stock of goods and services produced by all productive agents during the period in question rather than in terms of comparison of the products of one group against the products of another. If labor refuses or finds it impossible to work efficiently in the face of relatively low wages, then the total national income is definitely lowered. But if labor continues to deliver honest services for low wages, then a part of what may rightfully belong to it is taken from it, to be placed instead in the hands of someone else. If the employer keeps this part of labor's just share he may spend it himself. Perhaps he puts it into the bank where it is added to his other entrepreneurial profits or capital savings. Or he may choose to lower costs still further by means of purchasing new and automatic machinery, thus making it possible for him to lay off employees. If he deposits these funds in the bank, the chances are that some other person will borrow them to use. They may be borrowed in the purchase of a home or a new car; they may go for new equipment, for new construction, or for other pay rolls. Or they may be used for the purchase of bonds issued by the government in order to raise needed cash with which to meet WPA or PWA pay rolls.

This chain of reasoning is not intended to suggest that funds rightfully earned by laborers need not go to laborers, or that it makes little difference into whose hands the shares of the national income fall.³⁸ Such, to be sure, is far from the truth. Our analysis has shown that the

38. The assumption evidently made by the trade-union theorists is that these extra funds obtained by the entrepreneur are not invested but hoarded either by himself or by the bank. In the last several years this has been quite true. See the National Industrial Conference Board Bulletin, *Idle Men, Idle Machines, Idle Money*, vol. xiii, February 9, 1939, p. 44.

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significant fact to note under the assumed conditions is not that labor does or does not receive its just share, but rather that in the event of the payment of relatively low wages there is brought into play a significant change not in the amount of purchasing power but in the direction of the flow of purchasing power. Monies previously spent for *consumption* goods are now going for *production* goods. Thus, in the course of time there is felt a transfer in the demand for consumers' goods to producers' goods. Purchasing power that once went for food and clothing now is converted into machines, factories, and buildings. This means inevitable and costly shifts in the supply of labor away from these consumers' industries and into the new ones. With this move under way the supply of consumers' goods lessens, oftentimes completely out of all proportion to the lessened demand. As a result their prices advance on the markets, thus causing a further decrease in the real wages of those who are fortunate enough to maintain their employment. Likewise, increased capital funds mean lower machine and equipment prices which tend to encourage more than ever the discrepancy between the laborer's wage and the earnings of the competitive machine and its owner.

But these discrepancies cannot persist without end, and soon counteracting forces will prove to be natural correctives. In the course of time the large supplies of capital goods will have invited competition to the point where they are greatly reduced in price, and earnings are meager or inadequate. This is especially true in view of constantly decreasing demands for the consumers' products of capital goods caused by increasing unemployment. Increased profits obtainable because of relatively higher prices of consumers' goods will once more attract both capital and labor into consumers' goods industries. Thus it is that over long periods of time orthodox theory concludes that relatively low wages cannot cause unemployment.

As in all phases of complete economic analysis, we must recognize fully the short-run effects of such a course. The demand for labor is dependent upon the demand for labor's products; it is a derived demand. If during a certain phase of the business cycle labor, through effective organization and collective bargaining, demands and receives

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unreasonable increases in its earnings, the labor costs of its products will normally increase to the point where demand must decrease unless similar adjustments are made throughout the economy. This means a readjustment in employment, and until corrective forces have exerted their respective influences, various degrees of temporary and permanent unemployment are inevitable. Similarly if employers, either through concerted or individual action or under the disguised hand of a protecting government, succeed in effecting a reduction in wages (or an increase in other costs with labor costs held steady) repercussions will be felt throughout the economy, since some laborers will not be able to demand commodities in accustomed qualities and quantities.

Our analysis must admit the corrective forces that tend to enter just as soon as the balance has been destroyed. But in the process many things can happen. It is in the readjustment period—the short-run period—that changes in wages may and do greatly influence the number of unemployed. As a matter of practical everyday life we do not experience instantaneous shifts in demand or supply or purchasing power. Full knowledge of this truth leads us to conclude that while unemployment may and does result from a maldistribution of purchasing power, during periods of widespread unemployment the vicious circle cannot be broken by preaching the gospel of no wage decreases. Neither can a depression be prevented during periods of widespread employment by pursuing a policy of no wage increases. Perfect economic balance for a nation is a most sensitive condition; it is also a most difficult one, impossible of complete attainment.

TECHNOLOGICAL CHANGES AND UNEMPLOYMENT. Many persons, especially in recent years, have come to believe that technological changes in industry are the chief causes of unemployment. This idea was promoted during the early months of the Great Depression by means of the widespread attention given to the claims of the technocrats who saw on every hand a revolutionary displacement of men by machines. They cited phenomenal examples of the building of textile mills whose attendants were electrical cells flashed on by the pressing of a button in some elegantly furnished suite of rooms in a Manhattan skyscraper, of mechanical men which responded to almost any command of a hu-

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man voice over the telephone, of textile machines which were capable of spinning cotton thread at a rate of speed equal to that of a bullet leaving the barrel of a rifle, of ditch-digging steam shovels capable of lifting several flat carloads of earth from the ground at one scoop, of automobile steel frame companies capable of producing all of the entire nation's automobile frames each year with the services of less than a thousand workers, and of a long list of other famous inventions and labor-saving devices.

These amazing accounts passed from mouth to ear among the large numbers of the uncritical public and the conclusions that "as industry becomes more and more mechanized one door after another is shut to human labor" and "in the end one sees the producers, fewer and fewer in number, engulfed in goods which they can neither sell nor use, bowed down with interest and dividend debts which they cannot pay"³⁹ were accepted without serious question as a gloomy but inevitable future for the creators of the machine age.

While many stories of civilization's astounding advance into a machine-made and machine-run world are exaggerated and twisted beyond the semblance of truth and actuality, others are fairly accurate, and some truth is to be found in all but a few accounts of these amazing records. In the worsted textile industry production per man-hour in wool combing increased 26.3 per cent between 1927 and 1937; in yarn making the increase over this ten-year period was 55.3 per cent; in cloth making it was 53.5 per cent; and in dyeing and finishing it was 41.8 per cent.⁴⁰ In the rubber tire industry 72 per cent more tires were produced per man-hour in 1935 than were produced in 1929.⁴¹ In the manufacture of rayon yarn the average worker was producing 90 per cent more in 1937 than in 1929, even though the hours of labor were materially reduced. Upon a man-hour basis the increase was 140 per cent.⁴² The output of recoverable copper per man-day more than

39. Howard Scott, "Technology Smashes the Price System," *Harper's Magazine*, vol. 166, January, 1933, p. 138.

40. U. S. Senate, *Unemployment and Relief*, S. Res. 36, Hearings before a Special Committee to Investigate Unemployment and Relief, Washington, 1938, vol. 2, p. 925.

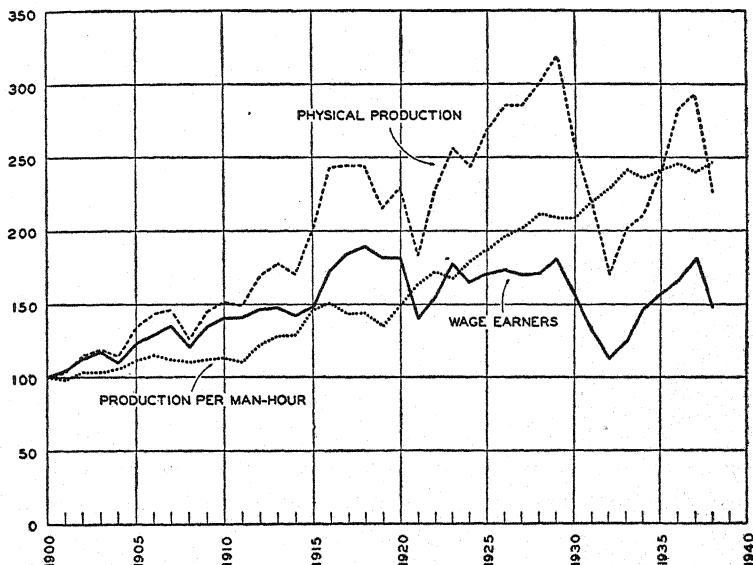
41. *Ibid.*, p. 1344 (Testimony of Harry L. Hopkins).

42. *Ibid.*

CHART 6

OUTPUT, EMPLOYMENT, AND PRODUCTIVITY IN AMERICAN MANUFACTURING INDUSTRIES, 1900-1938

INDEX NUMBERS



SOURCES: Physical Productivity, 1900-1936, from "Unemployment and Business Recovery," *National Industrial Conference Board Bulletin*, vol. xi, February 25, 1937, p. 34. Physical Productivity, 1937-1938, from the *Federal Reserve Bulletin*, vol. 25, July, 1939, p. 593; converted to 1900 = 100.

Number of wage earners, 1900-1918, from the above issue of the *National Industrial Conference Board Bulletin*. Number of wage earners, 1919-1938, from U. S. Bureau of Labor Statistics, *Employment and Payrolls*, August, 1938, p. 22 and February, 1939, p. 18; converted to 1900 = 100. Figures for 1936-1938 subject to revision.

Output per man-hour, 1900-1918, taken from the above issue of the *National Industrial Conference Board Bulletin*. Data for 1919-1938 calculated by the present authors. Figures for hours were obtained: for 1900-1935, from the above *National Industrial Conference Board Bulletin*; for 1936-1937, from the *Survey of Current Business*, 1938 Supplement, p. 39 (computed by the U. S. Bureau of Labor Statistics); for 1938, from *Survey of Current Business*, vol. 19, February, 1939, p. 67.

doubled between 1920 and 1935.⁴³ The output in the iron mining industry rose 140 per cent per man-hour during the twenty-year period preceding 1937.⁴⁴ Innumerable other similar instances during the past few years are now a matter of record in the United States.

The effect of technical changes in industry upon labor displacement and unemployment has already received our attention in some detail.⁴⁵ It is necessary here only to make a brief statement of their influence. The labor force in modern industry is in a state of continual flux on account of the frequent changes and rearrangements in industrial organization, methods, and processes. The rise of new industries and the decline of old ones, the introduction of new machinery and the adoption of better methods and processes, the substitution of one kind of labor for another, and the regional shift in the location of an industry or group of industries all result in making certain forms of skill superfluous and in throwing workers out of employment. Changes in industrial machinery, methods, and processes are likely, however, to cause only temporary distress among the workers, since these changes tend to reduce the cost of production and consequently the price of commodities, thus stimulating demand by bringing the goods within the buying ability of a larger number of persons. Increased demand calls for greater production and the employment of a larger working force.

The extent of injury resulting from the introduction of new machinery, methods, and processes depends ultimately upon the extent of their labor-displacing power, the elasticity of demand for the product, and the immediate prospects of re-employment in other lines of work. The McKay sewing machine sews uppers on the soles of 100 pairs of shoes in one hour and thirty-eight minutes, as compared with ninety-eight hours with the use of the awl, pincers, and strap that were used in hand methods. As a result of this invention considerable suffering was experienced by the shoemakers. Typesetting machines, which were introduced on a general scale in the business depression of 1893, resulted in unemployment for thousands of compositors, but with the return of prosperity even a larger number was required to meet the needs of

43. *Ibid.*

44. *Ibid.*

45. See Chapter 6.

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the trade, because the cost of printing was reduced. The automotive industry today normally employs more workers than ever before in its history in spite of the fact that every 60 men can produce more and better cars than were produced by 100 men only a decade ago.

There is probably at least a slight balancing influence in the fact that in periods of industrial prosperity when labor is scarce, enterprisers introduce improved machinery, while in periods of industrial depression and unemployment the tendency is to employ proportionately more labor and less capital. Except for particular classes, the workers probably do not suffer severely as a result of evolutionary changes in industry because these changes are more or less gradual and tend to increase the demand for labor by decreasing the price of the commodity. But the elasticity of demand, as explained in Chapter 6, is a factor here also.

If, however, the present tendency of American industry to accelerate technological improvements continues, the results may be excessively severe. The influence of such improvements upon production and employment is indicated in Chart 6. But whether comparatively less machinery and more labor is used during depressions than when business is active is difficult to say. The production per man-hour during the last two depressions of 1921-1922 and 1930-1935 increased at a faster than usual rate, but this was probably caused by the utilization of only the most efficient equipment and labor. The decrease in total production allowed the layoff of less efficient workers and of obsolete machinery.⁴⁶ Considerable unemployment may be caused by such exigencies as business failure, business reorganizations and mergers, destruction of the plant by fire, and the death of the employer.

THE COMPLEXITY OF DEMAND AND SUPPLY. Unemployment arises from a disturbance of equilibrium between the demand for labor and the supply of labor. Perfect equilibrium does not exist in a dynamic society, although in periods of industrial activity there may be a rough approximation to it. A country's labor supply consists of that part of

46. See National Industrial Conference Board Bulletin, *Unemployment and Business Recovery*, vol. xi, February 25, 1937, p. 34, and *Machinery, Employment and Purchasing Power* (Monograph), New York, 1935, pp. 97-8.

the population which is capable of entering gainful occupations. If recruitment of the labor supply depended solely upon an excess of births over deaths, the quantity of labor power would be relatively fixed. But immigration has been an important factor in augmenting the supply of labor in such countries as the United States. The demand for labor is an aggregate of hundreds of thousands, if not millions, of specific, individual demands for special types of labor power, to be used in particular establishments for a more or less definite period of time. Centralized control of these numerous demands is extremely difficult.

There is no fine adjustment between the supply of labor and the demand for it. The world's labor supply can be increased only by securing an excess of births over deaths or by improving the efficiency of the existing population. Conversely, the supply can be decreased only by an excess of deaths over births, or by a diminution of labor efficiency. The supply of commodities can be adjusted to effective demand with a fair degree of facility. When a decline in the demand for a commodity results in a lower price, production is shifted to other commodities for which the demand is brisk and the price high. No such rapid readjustment can be made with regard to the labor supply because it is composed of human beings. The prolongation of infancy prevents a spontaneous increase in the available supply of labor, and moral laws against the destruction of human life preclude an immediate reduction. Thus, a decrease in the demand for labor is accompanied by an increase in its supply, with the result that the price is greatly reduced. A rapid rise in the demand enhances its price. It is the impossibility of reducing the labor supply when demand falls off that makes the unemployment problem so acute.

MISCELLANEOUS ECONOMIC CAUSES. There are a number of economic determinants of unemployment that may appear to be relatively unimportant, but they should be recognized, since in the aggregate they exercise considerable influence. These include such factors as the labor reserve, strikes and lockouts, deficiencies in the internal management of industry, and a wasteful system of commodity distribution. An irre-

ducible minimum of unemployment develops from the presence of a labor reserve that accumulates in modern industries. This reservoir of labor consists of those persons whose services are required more or less irregularly. The anomaly of a labor shortage coexisting with a labor surplus arises. Frequently a million or more workers are idle in periods of unprecedented demand. Even in normal times an army of idle men stands at factory gates seeking employment or waits at employment offices and loitering places. Some of these will not work, some cannot fit into the available jobs, some are ignorant of employment opportunities, a certain class is never contented with any job, and many cannot move to the locality where work is available.

The relative importance of strikes and lockouts as causative factors in unemployment is often grossly exaggerated, but the influence of these causes in particular years is significant. A study of the figures presented in Table 16 will reveal that during the turbulent labor period from 1929-1938 only 0.46 per cent of man-days out of each year of assumed 300 workdays was spent in idleness because of industrial disputes. Under the assumption of an average 250 working day year the amount of time lost through this difficulty was only 0.55 per cent. In either case well under one day out of each 100 was lost through industrial warfare. In the year 1937 (a year with the maximum number of strikes in the period 1929-1938), 44 million persons were actually employed (excluding the emergency labor force). One extra holiday would cause 44 million man-days of idleness. The loss from strikes that year was only 28.5 million man-days. Thus the loss of time through strikes is insignificant.⁴⁷ Unemployment arising from labor disputes averaged less than 1 per cent among the organized wage earners of Massachusetts during the period 1908-1920, and in New York state the average was less than 2 per cent in the period 1904-1914. The number of man-days lost by all wage earners because of strikes and lockouts has been estimated at less than 1 per cent by the New York State Board of Mediation and Arbitration. On the other hand, prolonged strikes and

47. Florence Peterson, "Strikes in the United States 1880-1936," U. S. Bureau of Labor Statistics, Bulletin no. 651, 1937, pp. 10-11.

TABLE 14

A COMPARISON OF TIME (MAN-DAYS) LOST IN STRIKES AND IN GENERAL UNEMPLOYMENT, 1929-1938

Year	Man-Days Lost Through Strikes (thousands)	Number of Unemployed, Including Emergency Labor Force (thousands)	Man-Days Lost in Unemployment, Assum- ing a 300-Day Year (thousands)
1929	5,352	1,864	559,200
1930	3,334	4,770	1,431,000
1931	6,932	8,738	2,621,400
1932	10,502	13,182	3,954,600
1933	16,872	13,723	4,116,900
1934	19,592	12,095	3,628,500
1935	15,456	10,652	3,195,600
1936	13,902	9,395	2,818,500
1937	28,455	8,282	2,484,600
1938	9,148	10,936	3,280,800
TOTAL	129,545	93,637	28,091,100

SOURCES: Column 1, 1929-1937 (inclusive), *Statistical Abstract of the United States* (1938), p. 338; Column 1, 1938, *Monthly Labor Review*, vol. 48, June, 1939, p. 1338; Column 2, estimates of the American Federation of Labor; the emergency labor force is included.

lockouts, such as have often taken place in the American coal and maritime industries, cause an aggregate loss of millions of working days for the several hundred thousand workers involved.

There are many particulars in which managerial inefficiency contributes to unemployment. High production costs, ineffective sales methods, lack of co-ordination between the various departments of the plant, inefficient methods of selection and placement of employees, inadequate facilities for industrial training, labor turnover, and the absence of an organized channel of communication between management and employees are some of the reasons for lost time. When production costs are excessive, the sale price of the product must be correspondingly high; this reduces sales and decreases production and employment. Excessive labor costs are usually blamed for high production costs, but management knows that the numerous factors mentioned above are often more important. Lack of materials and equipment causes the plant to shut down or slacken its pace of production. The absence of

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correlation between production, sales, and finance departments is the cause of friction within the business organization. Overselling in certain seasons means concentration of production, followed by a period of inactivity and unemployment. Labor turnover or the shift and replacement in personnel decreases the productivity of the plant. Separation of men from the service of the company is frequently the result of inefficient methods of selection and placement, lack of industrial training, and poor labor management. The exaction of excessive profits may also curtail sales and reduce production. The absence of adequate facilities for collecting and tabulating information about available markets at home and abroad often causes manufacturers to produce surplus commodities. This leads to concentration of production, recession in the price of goods, severe losses to the producers, and unemployment.

SOCIO-ECONOMIC CAUSES. Certain conditions developing partly from deficiencies in the economic organization of society and partly from a lack of effective social control of that organization undoubtedly have some influence upon the problem of unemployment. Among these are often mentioned the unequal distribution of wealth and income, monopolization of land, immigration, inadequate organization of the labor market, and the lack of industrial training. They can be accorded only brief treatment here.

In so far as conspicuous inequalities in the distribution of wealth and income mean that the masses are deprived of purchasing power, business is bound to be affected adversely. In the final analysis it is the buying power of the consumer that determines the amount of commodities absorbed. From our analysis we have seen that if there were some magic way of providing and maintaining purchasing power and of successfully adjusting the supply of goods and services to the demand for them, unemployment would seldom occur. At present, however, unemployment contributes to the disparity in the distribution of wealth and income and destroys purchasing power.

The lack of easy access to unused land and natural resources, except at prices and under conditions prohibitive to the average worker, has been cited as a prominent cause of unemployment. The influence of relatively cheap land as a regulator of employment for industrial wage

earnings is easily exaggerated. Most of these workers could not be attracted to agricultural land and would not know what to do with it if it were accessible to them. The attempts of modern governments to use agricultural colonization as a means of solving industrial unemployment have not been highly successful.

Largely in response to an active demand for labor, the movement of population from Europe to the United States has surpassed all other labor migrations in human history.⁴⁸ In times past there has been no accurate adjustment between this incoming tide and the demand for labor. The great mass of immigrants has sought a more congenial home and has come to stay. Since immigration does not adjust itself to the demand for labor, it results in an oversupply of unskilled workers, which means fewer working days and less income for those who are already here. Voluntary or involuntary displacement of native American and older immigrant workers causes unemployment for the latter groups. Moreover, the presence of a large supply of cheap labor, coupled with the willingness of immigrants to work long hours, makes possible the concentration of production in seasonal trades.

Prior to the passing of the Wagner-Peyser Act in 1934, the absence of a national system of labor distribution was an important factor in unemployment in the United States. Because there was no centralized and co-ordinated system of employment offices, the coexistence of a labor surplus and a labor shortage was common. Once the nation's business returns to greater activity and greater employment, the United States Employment Service may demonstrate the effectiveness of a national agency in the proper direction and placement of the country's labor supply. Whether the existence of an excessive labor supply in the East simultaneously with an inadequate supply in the West can be corrected by means of this agency remains to be seen. Since its inauguration we have experienced a chronic oversupply of labor almost everywhere throughout the nation. Only time can demonstrate whether we now have an adequate social system for the effective distribution of the workers from one section of the country to another.

48. See Chapter 15.

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Lack of facilities for vocational and industrial training undoubtedly has had something to do with the job immobility of large numbers of people and, therefore, in the past has contributed to unemployment in specific cases. The industrial adaptability of many workers could be greatly increased by broader technical training. This would enable them when released from one kind of work to take up another readily and thus reduce the period of idleness that now commonly occurs between jobs. Remarkable progress is at last being made in the United States, however, in the direction of increasing occupational mobility through a national industrial educational program.

THE PERSONAL FACTOR. Old age, economic inefficiency, moral degeneracy, and physical and mental deficiency are prominent causes of idleness. The speed and technique of modern industry demand a degree of alertness and physical vigor that the worker in old age does not possess. Once past the meridian of life, the industrial worker finds it difficult to secure employment. Some investigations have shown that one-fourth of the idle workers covered in the surveys were unable to re-enter industry because of age. About nine working days out of a possible three hundred are lost annually by wage earners on account of sickness, and many more because of accidents. Mental disability lessens adaptability to the needs of industry and keeps many out of work. This problem is discussed at length in a later chapter.⁴⁹

Personal inefficiency of employees who do not properly perform their assigned tasks results in their being discharged and kept out of employment. Laziness, incompetence resulting from lack of training or natural capacity, indifference to the wishes of the employer, and carelessness in the use of tools, machines, and materials cause many persons to be discharged from industry.

Each nation has its fringe of moral delinquents. These include the nomad, who lives by begging, blackmail, or pillage; the settled resident loafer; the intermittent loafer, who usually has a dependent family; and the criminal. Idleness has a reflex influence upon personal failure, since unemployment itself breeds inefficiency and moral delinquency.

49. Chapter 12.

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Intemperance, vice, bad disposition, and many other expressions of temperament and bad habit contribute no small share to idleness in particular cases.

POLITICAL CAUSES. The extent to which political conditions affect production and unemployment cannot be measured accurately. Industry and business are undoubtedly sensitive to changes and movements in political relations, whether domestic or international. The monetary, fiscal, tariff, and international policies of an administration may affect business favorably or adversely and thus accelerate or retard developments in one or another phase of the business cycle. Sometimes, such conditions are overemphasized as contributive factors in unemployment. Their influence is likely to be quite indirect. In the face of national developments from the earliest days of the New Deal down to 1940, however, we have learned first hand how strong an influence these factors can be upon employment and unemployment. The outbreak of war in Europe in the fall of 1939 did not lessen the significance of such conditions upon this problem.

THE SOCIAL AND ECONOMIC EFFECTS OF UNEMPLOYMENT. Reasonable security of employment is a fundamental condition of economic and social progress. In its economic aspects unemployment reacts adversely upon the industrial enterpriser, the business man, and the wage earner. For industry, unemployment means increased overhead caused by idle equipment and idle materials. Whatever tends to curtail the buying power of consumers inevitably reduces production and profits. The majority of consumers are wage earners and their dependents. Prolonged periods of unemployment and seasonal fluctuations in certain industries reduce the purchasing power of the wage-earning classes and force the strictest economy of consumption. Consumers' demand for commodities falls off; this is reflected in reduced orders by wholesalers and retailers so that manufacturers are compelled to cut down the working force. Those who are thus discharged recruit the army of the unemployed. After their savings are exhausted, the buying power of these persons is destroyed, and curtailed consumption results in further limitation of production. Thus unemployment produces more unemployment, and it becomes extremely difficult to escape from the vicious circle.

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Wage earners are undoubtedly the chief sufferers in periods of unemployment. Business recession may force some employers into bankruptcy, but in periods of prosperity most employers are able to build up a reserve fund to meet the emergencies incident to price recession. The earnings of the average wage earner, on the other hand, are not adequate to provide a financial reserve against unemployment. The meager savings of the workers are soon exhausted when their source of income is cut off or only part-time work can be had.

Loss of opportunity to earn a living is accompanied by many specific evils. Deprived of the income of the chief wage earner, the family must have its income supplemented by the earnings of the mother and children or by payments from boarders and lodgers whose presence is inimical to family life. Often there is resort to charitable aid. In some communities it has been found that 70 per cent of the applicants for charity would require no aid if work were regular and wages proportionate to services performed. The existence of a supply of casual laborers and irregularly employed women and children encourages parasitic industries, which are unable to survive unless they pay wages below the standard of decent subsistence. Unemployment thus constitutes an incentive to sweatshop practices. General depression of the wage level is an inevitable result of unemployment. Workers released from industries that have shut down because of depression swarm into those industries that manage to keep operating, with the consequence that the severity of competition for jobs is greatly increased and wage standards are lowered. The maintenance of decent wage scales is practically impossible under such conditions of surplus labor.

Unemployment results in wasteful expenditure among wage earners. Irregularity of income has a demoralizing influence upon the habits of the workers. When periods of depression end and prosperity again assures regular earnings, the workers who have been deprived of many necessities and all luxuries tend to spend recklessly in their eagerness to enjoy the things that they have been unable to buy. Forced idleness results in the loss of economic status, and vast numbers of workers drift into the tide of casual laborers. With income cut off and skill going to waste, the morale of workers is weakened and economic de-

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generation is the result. Irregularity of habits is the natural by-product of irregular employment. Unemployment creates a dislike for work and stimulates the desire to drift. Moral delinquency is almost inevitable. Discouragement develops when men and women are willing to work but cannot find employment. Criminality tends to increase in periods of industrial depression and unemployment. Evidence indicates that the rate of suicide also increases at such times.

Unemployment not only tends to dishearten the workers but also fills them with resentment against the present industrial order. Revolutionary philosophy finds fertile soil in the minds of those who are able and willing to work but who, on account of conspicuous weaknesses in our economic system, are forced to accept idleness with its train of cumulative indebtedness, want, and misery. An industrial system that fails to guarantee regularity of employment is justly indicted by those who, as a consequence of irregularity of work, suffer a lowering of the standard of life. Professor Lescohier has summarized the effects of unemployment in a pungent paragraph:⁵⁰

Unsteady employment attacks the worker's efficiency in so many ways that probably no one could enumerate them all. It undermines his physique; deadens his mind; weakens his ambition; destroys his capacity for continuous, sustained endeavor; induces a liking for idleness and self-indulgence; saps self-respect and the sense of responsibility; impairs technical skill; weakens nerve and will power; creates a tendency to blame others for his failure; saps his courage; prevents thrift and hope of family advancement; destroys a workman's feeling that he is taking good care of his family; sends him to work worried and underfed; plunges him into debt.

UNEMPLOYMENT AND THE MIGRATORY WORKER. The unemployment problem in the United States is aggravated by the presence of the "floating" or "migratory" laborer, who is not attached definitely to either any particular locality or any special line of industry. The problem of the migratory worker arises from the seasonal character of certain industries, the large geographic area of the country, and several other factors. It is closely related to the problem of the casual laborer. Mi-

50. Don D. Lescohier, *The Labor Market* (New York, Macmillan, 1919), p. 107. Quoted with permission of the publishers.

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gratory workers tend to sink to the rank of nonworkers, to increase the irregularity of their working periods, and to intensify the general problem of unemployment. These workers move continually from one section of the United States to another in response to the opportunities for employment. They engage in seasonal occupations, such as harvesting of crops in summer and autumn, lumbering and ice cutting in the winter, and construction work in the spring and summer. They make up the army of casuals whose peculiar psychology and mode of life inject into the American labor movement a distinctly radical element. In addition to these regular migrants, there are considerable numbers of laborers who move irregularly in different trades and localities because of depression, droughts, floods, and the like, or because of false rumors of opportunities for work. Many of these acquire habits of migration.

The number of migratory workers appears to be increasing relatively and absolutely. A considerable portion have become migrants because of peculiar personal characteristics or weaknesses, which are accentuated by the conditions under which migrants must work and live. They present many perplexing labor problems, the most important of which are discussed elsewhere.⁵¹ But apart from individual characteristics of workers, American industry demands a labor reserve for its seasonal industries. It has been found that an increasingly large proportion of these casuals degenerates economically and socially. During recent years conditions have been extremely bad among the ranks of migratory and casual workers. A federal commission appointed to investigate the strike of the pea pickers in Imperial Valley, California, reported in 1934:⁵²

We found filth, squalor, an entire absence of sanitation, and crowding of human beings into totally inadequate tents or crude structures built of boards, weeds, and anything that was found at hand to give a pitiful semblance of a home at its worst. . . . In this environment there is bred a social sullenness that is to be deplored, but which can be understood by those who have viewed the scenes that violate all the recognized standards of living.

51. Chapter 15.

52. Quoted by Paul S. Taylor in *Unemployment and Relief*, Congressional Hearings, *op. cit.*, p. 1160.

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The problem is aggravated by the fact that the movement of these individuals is unorganized and unregulated, and all attempts to direct the movement have failed.

THE INCIDENCE OF UNEMPLOYMENT. The Social Security Board states that relief expenditures alone by federal, state, and local governments from the beginning of 1933 to the end of November, 1938, were 12.6 billion dollars and that at this latter date some 21.3 million people (about one-sixth of the total population) were receiving one or more forms of public relief.⁵³ But unemployment, irregular employment, and underemployment are never distributed evenly among the workers because of individual differences and the changing industrial fortunes of each laborer. In the end the final burden of unemployment in its various forms generally rests upon those who are least able to bear it. The selective influence of personal character is the important factor here. When production is reduced and a part of the working force must be laid off, the economically inefficient, and consequently the financially weak, are the first to be dismissed. In periods of industrial prosperity and expansion these same workers are the last to be employed.

It is this casual fringe about all industries that must bear the burden of minor industrial fluctuations. Idle because of their inefficiency, these workers have their inefficiency accentuated by idleness, and they almost invariably sink into the ranks of the unemployable who are dependent upon charity and benevolence. In any event, the cost of unemployment is too great both for any individual and for the nation as a whole to bear. Especially is this true as long as there is any hope of lessening its severity or its consequences. It is our conviction that constructive measures can be undertaken.

Questions for Class Discussion

1. Why is it said that unemployment is the most significant of all the problems of labor? Has this always been so?
2. What is unemployment? Does a worker who has been discharged

53. See the current monthly issues of the *Social Security Bulletin*, especially, vol. ii, April, 1939, pp. 48-51.

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because of incompetence or insubordination contribute as much weight to the social problem of unemployment as one who has been laid off from his employment because of no fault of his own?

3. How do you account for the fact that both the absolute total number and the percentage of the total population thrown out of employment throughout the nation during successive periods of business depression within the past half-century have been steadily increasing? May we expect a continued increase in these numbers?

4. Why are the long-run effects of technological changes in industry as they influence the number of unemployed so vastly different from the short-run effects? What does this difference mean in terms of the total numbers employed over relatively long periods of time?

5. Many thousands of workers are now thought to constitute the "emergency labor force" of the nation. Is this labor force needed, and does it intensify or lessen the problem of unemployment?

6. Is it inevitable, in a capitalistic society of free enterprise such as the one in which we live, that there will be millions of workers eligible for gainful employment who are actually unemployed at times?

7. International studies of the extent of unemployment during the Great Depression among the principal industrial nations of the world have shown that the people of the United States suffered more severely than those of any other country. Why was this so?

8. The A. F. of L. estimated that in January, 1940 (almost seven years after the peak of unemployment was reached in May, 1933) there were still 10,381,389 persons unemployed throughout the nation. How do you account for this large number, especially in the face of national recovery taking place since 1933?

9. Have recent international struggles, especially those in Europe, had any temporary influence upon the number gainfully employed in the United States? Have these events had any permanent effect upon American employment?

10. Is there any practical way, to your mind, by which heavy industries, such as automobiles and steel, might reduce the influences of seasonal fluctuations of production and thereby lessen seasonal unemployment?

11. What effect would you expect a stabilization of the price level to have upon the problem of unemployment?

12. If 20 per cent of those eligible for gainful employment are now out of work, what would be the effect upon employment, pay rolls and prices of a national edict ordering all employers to reduce the number of working hours in the week by 20 per cent?

13. How do you account for the fact that production per man-hour in

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the United States has actually increased almost two and one-half times during the past forty years? What does this mean in terms of the national income? Have the standards of living increased proportionately?

14. If unemployment cannot be eliminated, what are the alternative remedial measures, and which do you think are the best to follow?

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Chapter 8

WEALTH, INCOME, AND WAGES IN RELATION TO THE STANDARDS OF LIFE

¶ **WEALTH, INCOME, AND WELL-BEING.** Wealth is commonly referred to as a quantity of commodities on hand at a particular time. It consists of those things that satisfy human wants. An individual is poor or wealthy according to the magnitude of his ability to claim the economic goods and services available for the satisfaction of his wants in the present and the future. The term income applies to the flow of goods during a period of time. When used in a practical sense, it refers to the amount of money that an individual receives from the investment of capital or from services. The income of the laboring classes usually is identical with wages, the payment received for labor. Nominal wages are the amount of money that an individual receives for work, while real wages consist of goods and services obtainable with money wages.

The fundamental consideration of every individual is not the size of his money income but the capacity of such income to command goods and services in exchange. Real income, and not nominal income, is what determines economic and social well-being. One's income, therefore, must always be interpreted in terms of the prevailing level of prices which must be paid for commodities and services required in the satisfaction of wants.

If economic and social status is determined largely by the power to command wealth, the distribution of wealth and income is an important social problem. In America, at least, wealth is generally, although wrongly, accepted as the standard of success and achievement, and in every country wealth is the foundation of economic and social well-

being. Food, shelter, and clothing, are the requisites of existence, and to these normal men and women wish to add a measure of culture, leisure, and luxury. Such satisfactions, however, cannot be procured except in exchange for money.

The most persistent and at the same time the most tragic fact in the experience of the wage-earning classes is their economic insecurity, that

TABLE 15

THE TREND TOWARD ECONOMIC DEPENDENCY IN EMPLOYMENT IN THE UNITED STATES, 1870-1940

(Occupational Groupings of All Gainfully Employed Individuals Expressed in Percentages of the Total Number Employed)

Class	1880	1890	1900	1910	1920	1930	1940 ^a
Total number employed (in 000's)	17,392	22,736	29,073	38,167	41,614	48,830	52,000
Dependent class							
Total	48.5%	49.2%	51.9%	56.1%	60.7%	62.2%	65.0%
Farm laborers	8.9	6.1	7.0	7.5	5.6	5.6	5.5
Industrial wage earners	30.4	32.4	35.0	38.2	42.4	37.9	38.0
Servants	6.2	6.4	5.0	4.1	3.1	4.1	4.0
Low-salaried group	3.0	4.3	4.6	6.3	9.6	14.6	17.5
Independent class							
Total	43.3	41.5	39.6	37.9	34.2	32.4	31.0
Farmers and their working children	34.9	30.7	28.0	25.0	20.0	15.8	15.0
Proprietors and officials	4.6	5.9	6.2	7.5	7.6	8.7	7.0
Professional group	3.8	4.9	5.4	5.4	6.6	7.9	9.0
Unclassified	8.2	9.3	8.5	6.0	5.1	5.4	4.0

^a Estimates for 1940 are crude estimates only and have been made by free-hand curves.

Sources: Based on data of A. H. Hansen, "Industrial Class Alignments in the United States," *Journal of the American Statistical Association*, vol. 17, December, 1920, p. 422; and T. M. Sogge, "Industrial Classes," vol. 28, June, 1933, pp. 199-203.

is, the absence of an assured source of real income. It is a significant, although a not altogether pleasant, thought that the majority of people under the present economic system are economically dependent upon a minority who own and control the machinery of production and distribution. The majority depend upon someone else for the opportunity to make a living, which explains their economic subordination. The

constant increase of this "dependent" class, and the extent to which dependency exists today throughout the United States, is indicated in Table 15. The actual numbers and percentages employed in various American industries are presented in Table 16.

At all times under modern industrialism the employer of labor controls the chance to work and, consequently, the chance to live. Economic dependence rather than economic freedom, therefore, is the characteristic status of most individuals. As the supply of free land diminishes and as business units become larger and larger, it seems certain that industrial dependence will continue to increase. There is no outlet for the world's workers who are dissatisfied with industrial conditions. Unemployment, debt, poverty, unhappiness, and suffering are ever potential of actual fears for those who do not own and control the opportunity to work. The ownership of wealth or of the agencies that produce wealth is, then, a coveted status. The possession of wealth means the satisfaction of security and power; an adequate income means the ability to purchase the commodities and services that provide health, happiness, and the complete enjoyment of life. This is why the distribution of wealth and income is such an important problem for those who toil with hand and brain.

INCOME IN RELATION TO HEALTH AND ENVIRONMENT. Inadequate incomes make it impossible for the working classes to enjoy desirable conditions of housing, proper and sufficient food and clothing, efficient medical and dental care, and necessary periods of rest and recreation. This necessitous condition, together with the industrial employment of mothers and the accidents, diseases, and fatigue resulting from employment, accounts for the excessive rates of morbidity and mortality among low-income groups. It has been said that, as we ascend the social scale, the span of life lengthens and the death rate diminishes gradually, the death rate of the poorest class of workers being considerably above that of the well-to-do.¹ This same general observation is borne out in

1. Rollo H. Britten, in "Occupational Mortality Among Males in England and Wales, 1921-1923," *United States Public Health Service*, vol. 43, June 22, 1928, reports the death rate among males per 100,000 from all causes was 743 within the upper and middle classes; 870 for the skilled laborers; and 1,151 for unskilled laborers. (See Edgar Sydenstricker, *Health and Environment*, p. 96.)

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TABLE 16
NUMBER OF PERSONS ENGAGED, BY INDUSTRIAL DIVISIONS,
1929-1937
(in thousands)

	1929	1930	1931	1932	1933	1934	1935	1936	1937
Total number engaged, excluding work-relief employees	44,859	42,844	39,439	36,081	36,248	38,579	39,775	41,703	43,467
Agriculture	7,910	7,800	7,775	7,690	7,900	7,910	7,950	8,060	8,090
Mining	1,044	980	850	710	729	855	867	904	950
Electric light & power & manufactured gas	346	357	331	288	273	290	294	313	331
Manufacturing	9,932	8,852	7,528	6,369	6,848	7,965	8,463	9,024	9,751
Contract construction	1,604	1,495	1,111	845	716	723	770	923	1,005
Transportation	3,193	2,985	2,631	2,276	2,201	2,304	2,351	2,525	2,663
Communication	523	514	450	402	374	371	362	374	398
Trade	6,454	6,236	5,734	5,191	5,123	5,390	5,475	5,673	5,893
Finance	1,451	1,397	1,304	1,243	1,200	1,229	1,215	1,246	1,308
Government, excluding work-relief employees .	3,204	3,313	3,331	3,289	3,219	3,327	3,480	3,676	3,764
Service	7,053	6,836	6,420	5,920	5,802	6,301	6,605	6,978	7,255
Miscellaneous	2,145	2,081	1,973	1,858	1,863	1,914	1,943	2,006	2,057
[Percentage of Distribution]									
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	17.6	18.2	19.7	21.3	21.8	20.5	20.0	19.3	18.6
Mining	2.3	2.3	2.2	2.0	2.0	2.2	2.2	2.2	2.2
Electric light & power & manufactured gas ....	.8	.8	.8	.8	.8	.7	.7	.8	.8
Manufacturing	22.1	20.7	19.1	17.7	18.9	20.6	21.3	21.6	22.4
Contract construction	3.6	3.5	2.8	2.3	2.0	1.9	1.9	2.2	2.3
Transportation	7.1	7.0	6.7	6.3	6.1	6.0	5.9	6.1	6.1
Communication	1.2	1.1	1.1	1.1	1.0	1.0	.9	.9	.9
Trade	14.4	14.5	14.5	14.4	14.1	14.0	13.8	13.6	13.6
Finance	3.2	3.3	3.3	3.4	3.3	3.2	3.1	3.0	3.0
Government, excluding work-relief employees .	7.2	7.7	8.5	9.1	8.9	8.6	8.7	8.8	8.7
Service	15.7	16.0	16.3	16.4	16.0	16.3	16.6	16.7	16.7
Miscellaneous	4.8	4.9	5.0	5.2	5.1	5.0	4.9	4.8	4.7

SOURCE: Robert R. Nathan, *Income in the United States, 1929-1937*, U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, Table 12, p. 34.

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Table 17, which shows that the mortality rate for professional and semi-professional wage earners in twelve American companies was only two-thirds that for unskilled workmen. Thus does it seem, by a cruel irony

TABLE 17
MORTALITY RATES AMONG 1,300,000 WAGE EARNERS INSURED IN
12 AMERICAN LIFE INSURANCE COMPANIES
(According to Economic Classes)

Economic (Occupational) Class	Death Rate per 1,000	Ratio to Rate for Professional Class
Professional and semi-professional	3.3	100
Skilled workmen	3.7	112
Semi-skilled workmen	4.5	136
Unskilled workmen	4.8	145

SOURCE: Frank J. Bruno, "Illness and Dependency," *Miscellaneous Contributions*, no. 9, The Committee on the Costs of Medical Care, Washington, 1931, p. 7. Based upon records of deaths occurring between 1915 and 1926.

of fate, the smaller the share of wealth which falls to a man the greater tribute he pays to illness, death, and crime. The importance of income in relation to infant mortality, for example, is strikingly illustrated in Table 18, taken from conditions experienced in the city of Cleveland,

TABLE 18
ECONOMIC STATUS AND INFANT MORTALITY IN CLEVELAND, 1928

ECONOMIC GROUP	CHARACTERISTICS OF ECONOMIC STATUS			INFANT MORTALITY PER 1,000 LIVE BIRTHS
	Persons per Family	Live Births per 1,000 Population	Percentage of Families with Telephones	
Highest	3.9	10.2	99.3	35.7
II	3.4	13.0	82.1	41.8
III	3.7	13.7	74.3	51.4
IV	3.8	14.8	61.1	45.2
V	4.1	17.9	50.6	56.6
VI	4.2	16.7	39.8	56.1
VII	4.3	17.6	29.2	66.3
VIII	4.3	18.7	20.9	67.7
Lowest	4.5	19.5	10.7	86.6

SOURCE: Sydenstricker, *Health and Environment*, op. cit., p. 100. Reproduced by permission of McGraw-Hill, publishers.

Ohio, where the infant mortality rate among families with lowest incomes was more than twice the rate experienced among the wealthiest families.

Striking relations are also to be found between family income on the one hand and morbidity rates and the adequacy of medical attention on the other. For many years the public has accepted without question the popular idea that families with low incomes are receiving as much care, and care of as high quality, as those enjoying high family incomes. Extensive scientific studies of this problem completed during the past decade throughout various parts of the United States, however, have shown how untrue such popular conceptions are.² Without a single major exception those studies have all led to several significant and far-reaching conclusions:

1. Morbidity rates for certain diseases not dependent solely upon the biological factors of the human body are significantly higher among families with low incomes than among those with higher incomes.
2. Need for medical³ services at any given time is greatest among the lowest income groups, and least among the highest income groups.
3. The receipt of needed medical care is likewise most nearly adequate among members of families in high income groups and least adequate (or most inadequate, relatively speaking) among those falling within the low income groups.

The California Medical-Economic Survey, for instance, tabulated information from over 20,000 representative families, including approximately 65,000 persons in all walks of life and within all income classifications during the years 1934 and 1935. This survey discovered that two and one-half times as many people, relatively speaking, living in families whose total net family income for 1933 was under \$500 needed medical attention than was true of those in families whose income was \$10,000 or more during that year.⁴ Yet this same study dis-

2. The most important of these studies are: The Committee on the Costs of Medical Care Study, 1929-1932; the American Foundation Study, 1935-1936; the California Medical-Economic Survey, 1934-1935; and the National Health Survey, 1935-1936.

3. The term medical care as herein used includes dentistry, hospitalization, drugs, the fitting of glasses, *et cetera*; it is a general, all-inclusive term.

4. Cf. *California Medical-Economic Survey*, California Medical Association, San Francisco, November, 1937, p. 34.

closed the fact that only 40 per cent of those needing treatment in the first group were actually receiving the treatment needed, while 90 per cent of those needing attention in the last group were getting the care they needed.⁵ With this appalling need present in the face of a seeming oversupply of doctors, dentists, hospitals, and other health facilities, there appears to be little reason for being surprised at a movement toward the conservation of human resources. Such a development is actually under way in the form of the National Health Program, now being formulated in an attempt to overcome some glaring inadequacies and injustices of the traditional system of the private practice of medicine.⁶

THE DISTRIBUTION OF WEALTH. Unreasonable disparities in the distribution of wealth and income are a persistent cause of industrial and social discontent. Such inequalities explain to a great extent the present world protest of the working classes. The tendency of wealth to concentrate in the hands of the few, whether resulting from legitimate practices or not, has always been a cause of bitter complaint by the less fortunate of the population. "The rich are getting richer and the poor are getting poorer," is a familiar form of protest against this tendency. It is undoubtedly true that large fortunes are increasing in size and number and that the rich are getting richer, but it also is true that pauperism is decreasing and that the laboring classes are better off than they have been in any preceding century. The workers have probably not gained nearly so much relatively from the increased wealth as has the capitalist class. This may explain the deep-seated conviction in the minds of the working classes that wealth and income are distributed without any regard to a defensible standard of justice. Beneath this conviction is the central idea that income should be received for service and for service only, whereas, in fact, often it bears no such relation, and he who serves least or not at all may get the most.

Professor Gide makes the interesting observation that the inequality of wealth continues even after many other inequalities between persons

5. *Ibid.*

6. For a full treatment of this subject, see Paul A. Dodd and E. F. Penrose, *Economic Aspects of Medical Services* (Washington, Graphic Arts, 1939).

have been eliminated. Civil equality has been secured through law, political equality through universal suffrage, and now a certain kind of intellectual equality seems to be developing through the rapid spread of free education.⁷ Hereditary inequalities cannot, of course, be eliminated so easily by artificial agencies, and the stubborn force of individual differences will probably continue as an insurmountable barrier to absolute economic and social equality. This fact has no little significance in explaining the persistence of extremes of wealth and poverty and must be recognized in any workable scheme for the redistribution of wealth and income.

Distance invariably lends enchantment, and the European, looking through a long-distance mental telescope, visualizes the United States as a wage earner's paradise where all live in affluence and the extremes of wealth and poverty are conspicuous by their absence. Compared with the working classes of other countries American laborers have fared reasonably well, but the superior status of our wage earners is often exaggerated both at home and abroad. This nation is a considerable distance from an equitable distribution of wealth and income. One need only peruse the excellent statistical analyses that have been made in recent years to be convinced of this fact.

Just what the total amount of the wealth of the nation is, no one can tell. Every expression that is available has reduced it to units of dollars and cents, for quite obviously a list of all the items of real wealth would fill a book of many thousands of pages, and at best would always be incomplete and meaningless. Then, too, there is the matter of fluctuating price levels, which are constantly changing the meaning of any dollar expression of the nation's wealth.

In spite of the impossibility of actual measurement and the difficulties of comparison brought on by changing price levels, however, two elementary observations relative to the national wealth can be made without fear of contradiction: first, the wealth of the nation has been increasing, and second, the wealth of the United States exceeds that of

7. Charles Gide, *Political Economy* (English translation) (Boston, D. C. Heath, 1924), p. 451.

any other nation throughout the world.⁸ The extent of the increase in wealth in this country is suggested by the data in Table 19 which, it must be remembered, should be interpreted in the light of the changing purchasing power of the dollar.

TABLE 19
INCREASE IN TOTAL AND PER CAPITA WEALTH, 1850-1930

Year	Total Amount (in millions)	Amount Per Capita	Cost of Living Index 1923-1925 = 100	Real Per Capita
1850	\$ 7,136	\$ 308	37	\$ 835
1860	16,160	514	50	1,028
1870	24,055	624	71	880
1880	43,642	870	59	1,470
1890	65,037	1,036	46	2,240
1900	88,517	1,165	46	2,520
1904	107,104	1,318	51	2,600
1912	186,300	1,950	65	3,000
1922	320,804	2,918	95	3,070
1925	362,400	3,170	105	3,120
1929	361,800	2,977	105	3,100
1930	329,700	2,677	98	2,620

SOURCE: Adapted from *Statistical Abstract of the United States* (1937), p. 295, and (for 1925 and thereafter) National Industrial Conference Board. Price Indexes have been computed by the Bureau of Labor Statistics in their *Cost of Living Series*.

8. Harold G. Moulton, in *Income and Economic Progress*, pp. 74-5, estimates the total national wealth for 1929 to be 460 billion dollars. Its composition is set forth as: agriculture (including 6 million units of farm land, 6 million sets of farm implements, livestock and irrigation enterprises) 57.8 billion dollars; forests (450 million acres) 10 billion dollars; mineral properties (mines, quarries and petroleum refineries, lines, leases, and so on) 11 billion dollars; nonfarm residences (25 million houses and lots, plus hotels) 102 billion dollars; business buildings and 1,550,000 stores, 35 billion dollars; manufacturing (206,000 factories, tools, machinery inventory and working capital) 53 billion dollars; other inventories, 35 billion dollars; transportation agencies (including steam railways and cars, electric railways, 26.5 million automobiles, highways, bridges, canals, merchant marine, yachts, motor boats and aircraft) 47.3 billion dollars; public utilities (telephone, telegraph, light and power plants, gas plants and water works) 21.2 billion dollars; tax exempt properties (such as government land and buildings, colleges, churches and museums) 22.6 billion dollars; naval vessels, 1.5 billion dollars; gold and silver, 5.2 billion dollars; foreign investments (net) 10 billion dollars; and, finally, chattels and personal effects (including jewelry, clothing, household furnishings, *et cetera*) 48 billion dollars;—thus making the total of 460 billion dollars.

Some idea as to the relative wealth of this nation compared with that of other leading world powers can be gained from a review of prewar and postwar figures. According to these data, during the period from 1912 to 1922 the total dollar wealth of the United States increased from \$186,299,000,000 to \$320,804,000,000, while dollar per capita wealth was increasing from \$1950 to \$2918.⁹ The total wealth of the United Kingdom increased from \$79,297,000,000 (1912) to \$88,840,000,000 (1922), while per capita wealth increased from \$1760 to \$1974. In France, comparable increases were from \$57,075,000,000 to \$67,710,000,000 in total wealth, and from \$1420 to \$1690 in per capita wealth.

In Germany, the war brought on a great decline in wealth, figures for total national wealth decreasing from \$77,783,000,000 in 1912 to only \$35,700,000,000 in 1922, and per capita wealth decreasing from \$1050 the former year to \$555 in the latter. Some of this decrease in Germany, of course, was due to the losses of territories and population as a result of the war. But much of it was the result of the tremendous losses sustained by the people themselves. The total dollar national wealth of these three European nations combined decreased during the 1912-1922 period from \$214,155,000,000 to \$192,250,000,000, while the per capita wealth decreased from \$1340 to \$1280. Thus by the end of the World War, total national wealth in the United States exceeded that of England, France, and Germany combined, and the average per capita wealth of the American people was well over twice the average for these three countries together.

In 1915 Professor W. I. King advanced convincing evidence of inequality in the distribution of wealth in the United States. According to his data the "poor," who constituted 65 per cent of the population, owned very little wealth, certainly not much more than their personal effects, amounting to about 5 per cent of the national wealth. The

9. Since these figures are presented in units of dollars for separate dates, the relative position in the United States held at any date can be determined by comparing foreign figures for that date, but care must be taken in comparing one date with another to make allowances for price changes. The data have been taken from Tugwell, Munro, and Stryker, *American Economic Life and Means of Its Improvement*, p. 118. For a prewar and postwar comparison of per capita incomes, see Table 21 of this chapter.

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"middle class," which constituted 33 per cent of the population, had wealth in amounts varying from about \$2000 to \$40,000 and approximately 37 per cent of the total wealth of the nation. On the other hand, the "rich," who comprised 2 per cent of the population and had wealth in amounts of \$50,000 or over, owned fully 58 per cent of the national wealth.¹⁰ This same authority made an analysis of wealth distribution per property owner at the close of 1921 which revealed the continuance of great disparities. The average wealth per property owner in the United States at that time was as follows:

Richest 2 per cent	\$138,111
Richest fourth	21,948
Third fourth	3,189
Second fourth	1,814
Poorest fourth	990

This study resulted in some significant conclusions. The poorest half of the property owners possessed only 4 per cent of the wealth, although they received about 19 per cent of the income. Half of the wealth was owned by the richest one-tenth of the property owners, while half of the total value of estates was included in the property of less than 1 per cent of the wealthiest decedents.¹¹

Other studies have yielded similar evidence of inequality. In a careful analysis of probated and unprobated estates involving total wealth of \$708,000,000 in twenty-four representative counties scattered throughout the United States, the Federal Trade Commission found that 1 per cent of the estimated number of decedents owned 59 per cent of the wealth, and that more than 90 per cent of the wealth was owned by about 13 per cent of the decedents. The average value for all estates was \$3800, but over 90 per cent of the decedents had estates amounting to less than this average.¹² It would appear from this investigation that 1 per cent of the people of the United States own 59 per cent of the wealth, whereas the remaining 41 per cent of the wealth is owned by

10. W. I. King, *Wealth and Income of the People of the United States*, pp. 78-80, 96.

11. W. I. King, "Wealth Distribution in the Continental United States at the Close of 1921," *Journal of the American Statistical Association*, vol. 22, 1927, p. 150.

12. Federal Trade Commission, *National Wealth and Income*, 1926, pp. 3, 4.

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the other 99 per cent of the population. The analyses made by Professor King and the Federal Trade Commission have been supplemented by another authority who finds that the class distribution of income-yielding property in 1924 revealed marked inequalities. According to this study, wage earners constituted 63 per cent of the gainfully occupied and owned only 4.3 per cent of the property. Farmers constituted approximately 15 per cent of the gainfully occupied and owned 17 per cent of the nation's property. The nonwage earners, who constituted only about 22 per cent of the gainfully occupied, owned something like 78 per cent of the property.¹³ The most recent reliable estimates available are presented in Table 20.

TABLE 20

TABULAR SUMMARY OF ESTIMATED DISTRIBUTION OF WEALTH
AMONG PROPERTY OWNERS IN THE CONTINENTAL
UNITED STATES, DECEMBER 31, 1921

Wealth per Person	Per Cent of Persons	Per Cent of Total Wealth
Less than \$3,400	61.75	14.22
\$3,400 to \$50,000	37.25	45.59
Over \$50,000	2.00	40.19

SOURCE: Computed from W. I. King's "Wealth Distribution in the Continental United States," *Journal of the American Statistical Association*, vol. 22, 1927, p. 152.

Even more important than the inequality in the distribution of national wealth from the wage earner's viewpoint is the evident tendency toward the greater and greater concentration of its ownership and control. This tendency has made its appearance in both fields of private and corporate ownership.¹⁴ In a recent study of America's sixty leading families we learn that there were only 4047 fortunes of one million dollars or more in the United States in 1892; in 1914 there were 7509; and in 1915 there were 10,450. We read further, that, according to the Internal Revenue Bureau figures, "the aggregate rose to 11,800 in 1917,

13. Lewis Corey, "Who Owns the Nation's Wealth?" *New Republic*, vol. 51, August 10, 1927, p. 303.

14. Ferdinand Lundberg, *America's 60 Families*, and Adolf A. Berle, Jr. and Gardiner C. Means, *The Modern Corporation and Private Property*.

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there to remain for several years. But in the 1929 boom the aggregate of \$1,000,000 fortunes was pushed up to 38,889." Since this peak, however, serious inroads have been made upon this elite class, and the present number (1940) is thought to be near the 1917 figure of approximately 12,000. A list of these famous American families includes the names of the Rockefellers with a maximum estimated fortune of 25 billion dollars; the Fords, Mellons, and Du Ponts with over a billion dollar fortune each; the Harknesses and the Vanderbilts with 800 million dollars each; the Whitneys (Standard Oil) with 750 million dollars; the Bakers, the Stillmans, and the Fishers each with an estimated 500 million dollars; and the Goulds with an estimated 400 million dollars, to mention only a few of the leaders. Even a most conservative estimate would run the figures for each of these families into the hundreds of millions of dollars.

A searching analysis of these trends in American industry has disclosed the fact that the total assets of 200 of the nation's largest nonfinancial corporations accounted for over 81 billion dollars (or approximately 22 per cent) of the national wealth at the beginning of 1930. These facts are all the more striking when one realizes that this figure represents one-half of the total corporate wealth of the entire nation. At the beginning of 1930 there were over 300,000 nonfinancial corporations in the United States, yet 200 of the largest of these—each directed by an average of ten influential members of the boards of directors, or a total of possibly 2000 persons—controlled half of the nation's corporate wealth. In other words, less than 0.07 per cent of the total number of corporations managed half of the national industrial wealth; 2000 individuals out of a total population of 125,000,000 were in a position to control and direct half of American industry.¹⁵ Especially impressive is the fact that the trend toward this concentration has been accentuated since the turn of the twentieth century. The total assets of the nation's 200 largest nonfinancial institutions reached \$26,000,000,000 in 1909; by 1919 they had increased 68 per cent to \$43,700,000,000; and within another decade they had reached a total of \$81,800,000,000, an increase of 85 per cent.¹⁶

15. Berle and Means, *op. cit.*, p. 33.

16. *Ibid.*

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Such data require little comment; they furnish convincing evidence of the tendency for the ownership or control of wealth to concentrate in a relatively few hands. Concentration is evidently progressing at a rapid rate in this country, and there can be no doubt that the existing disparities are a potent factor in current social and industrial unrest.

THE NATIONAL INCOME AND THE TREND OF REAL EARNINGS. There are but two ways for the wage earners of any nation to secure an income. They must either produce goods and services themselves, or they must live by the products of others. The growth in the real income of the workers and producers in America since 1900 is presented in Charts 7 and 8. It seems difficult to explain the leading position held by the people of this nation in terms of per capita income (see Table 21) upon

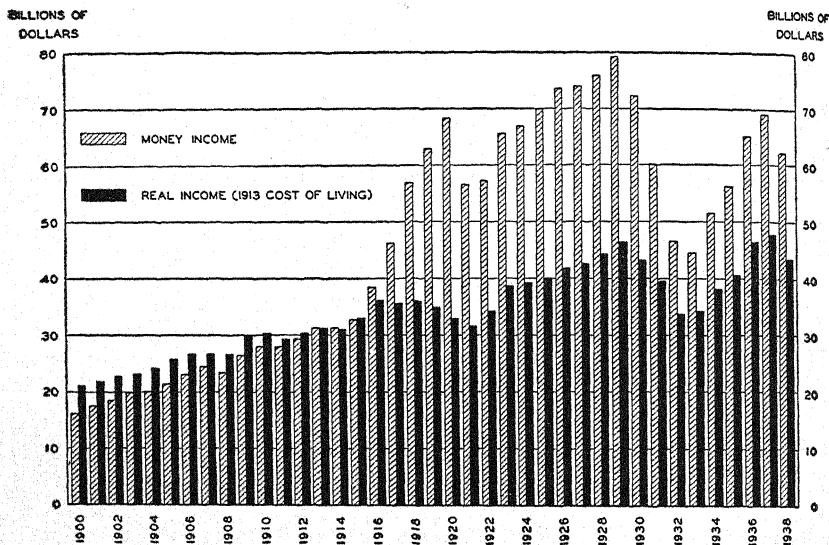
TABLE 21
TOTAL AND PER CAPITA INCOME ESTIMATES FOR
VARIOUS COUNTRIES

(Converted into American dollars on basis of average exchange rate and deflated by the wholesale price index for that country with 1913 as the base year)

COUNTRY	Year	PREWAR			Year	POSTWAR		
		Total In- come in \$1,000,000	Per Capita Income			Total In- come in \$1,000,000	Per Capita Income	
			in current dollars	in 1913 dollars			in current dollars	in 1913 dollars
United States ..	1913	35,723	368	368	1928	89,419	749	541
Canada	1911	2,000	278	296	1928	5,938	604	401
United Kingdom	1911	9,840	234	250	1928	18,730	411	293
Germany	1913	11,934	178	178	1928	17,990	279	199
France	1913	6,387	161	161	1928	7,856	192	188
Belgium	1913	1,251	164	164	1924	1,438	187	135
Italy	1914	3,659	102	108	1928	4,944	121	96
Switzerland ..	1913	660	171	171	1924	1,131	289	178
Austria	1913	891	132	132	1927	940	141	152
Hungary	1913	1,366	64	64	1929	764	87	85
Spain	1914	2,149	105	94	1923	3,497	162	117
Russia	1913	7,216	52	52	1929	16,434	107	62
Japan	1913	1,156	22	22	1925	5,492	89	53
India	1900-14	3,597	12	14	1921-22	6,496	20	13
Australia	1913-14	1,473	300	292	1927-28	3,165	504	304

SOURCE: Simon Kuznets, "National Income," *Encyclopaedia of the Social Sciences*, New York, Macmillan, 1933, vol. 11, p. 206. Reproduced with permission of the publishers.

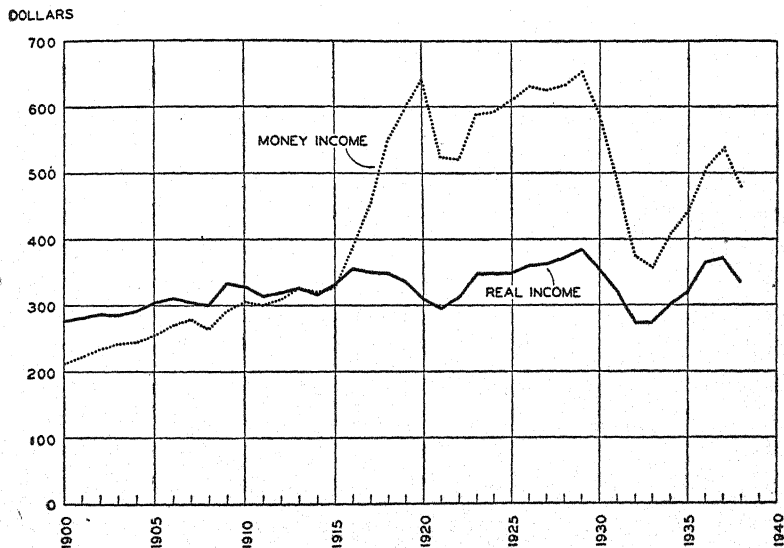
CHART 7
 REALIZED NATIONAL INCOME IN THE UNITED STATES, IN CUR-
 RENT DOLLARS AND CONSTANT DOLLARS OF 1913 PURCHASING
 POWER, 1900-1938



SOURCE: Robert F. Martin, *National Income, in the United States, 1799-1938*. (Note: Only figures for income in current dollars were taken from the above source. The cost of living index had already been calculated by the authors for Chart 12. Thus the figures for real income were computed by the present authors.)

CHART 8

REALIZED PER CAPITA NATIONAL INCOME IN THE UNITED STATES
IN CURRENT DOLLARS AND IN CONSTANT DOLLARS OF 1913
PURCHASING POWER, 1900-1938



SOURCE: Martin, *National Income in the United States, 1799-1938*. (Note: Only figures for monetary income were taken from the above source. Cost of living indices used were the authors' computations.)

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any basis other than that the unlimited natural resources possessed within its bounds, together with scientific methods and technological improvements and a labor force well adapted to the use of machines in mass production. By the beginning of the war period these had produced a per capita income in this country far in excess of that of any other nation. By 1928 the United States, instead of being set back through heavy and prolonged warfare, was able to increase per capita productivity and income at a greater rate than has been the case in most of the other countries.

Between 1900 and 1929 the total current money income of the nation increased from \$16,200,000,000 in the former year to \$79,500,000,000 in the latter. This represents approximately a fivefold increase in dollar income over the thirty-year period, but as Chart 7 discloses, the increase in real national income was approximately 225 per cent. Even this represents a rather remarkable development, since, after allowances have been made for growth in population, the per capita real income expressed in terms of 1913 prices (see Chart 8) increased from about \$280 to \$390 over these thirty years. The basic reason for this increase in real income is the phenomenal expansion which took place in American industry and commerce through the rapid growth in population, the utilization of modern machine methods of production, large-scale industry, and the development of natural resources. It is not unusual, therefore, to discover that during this period of rapid national and per capita income growth certain disparities arose between the rate of growth of per capita productivity and real earnings shared by the workers, as well as inevitable discrepancies between various classes of wage earners. Table 22 shows the relative divergence of real earnings from per capita physical productivity, indicating quite clearly that through increased use of capital goods and greater efficiency, per capita productivity made marked strides upward.

But to the loss of the laboring man in manufacturing, per capita real earnings did not keep pace with this trend in productive capacity.¹⁷ The output per man-hour in the manufacturing industries has been

17. For relative shifts between real earnings and productivity in other industries, see Millis and Montgomery, *op. cit.*, pp. 155-8.

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TABLE 22

COMPARATIVE MOVEMENT OF REAL EARNINGS AND PHYSICAL
PRODUCTIVITY PER EMPLOYEE IN ALL MANUFACTURING,
1899-1935

Year	Average Annual Earnings	Relative Real Earnings	Relative Physical Productivity per Employee	Percentage of Divergence of Real Earnings from Physical Production
1899	\$ 426	100	100	0
1904	477	100	107	- 7
1909	518	104	116	-10
1914	579	101	116	-13
1919	1,163	114	112	+ 2
1921	1,181	116	115	+ 1
1923	1,254	130	141	- 8
1925	1,280	130	154	-16
1927	1,300	132	155	-15
1929	1,316	136	165	-18
1931	1,102	127	148	-14
1933	869	117	148	-21
1935	1,023	133	145	- 8

SOURCE: Paul H. Douglas, *Real Wages in the United States, 1890-1926*, p. 510. Column 2 was obtained from U. S. Department of Commerce, Bureau of the Census, Biennial Census of Manufacturers, 1935, p. 18, Table 2, by dividing the total amount of wages paid by the number of wage earners. Column 3 was taken from Douglas' data by changing the base from 1913 to 1899. Column 4 was taken from the above Census of Manufacturers, p. 17, Table 1. Column 5 was computed by dividing column 3 by column 4 and subtracting 100 from the quotient.

estimated by the National Bureau of Economic Research to have increased 27 per cent over the five-year period, 1928 to 1933.¹⁸ During the three years following 1930 real per capita earnings in manufacturing dropped 14 per cent, while output per man-hour increased over 20 per cent.

As suggested above, the national income going to the wage earners in the form of real earnings varies considerably within different groups over a period of years. Table 23 presents the extent of this fluctuation between the years 1890 and 1926. Were it possible to extend these trends throughout the Great Depression, no doubt other phenomenal shifts

18. See Charles Bliss, "Recent Changes in Production," National Bureau of Economic Research, *Bulletin no. 51*, June 28, 1934, p. 6.

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TABLE 23

TRENDS IN REAL EARNINGS OF SELECTED INDUSTRIAL AND PROFESSIONAL GROUPS, 1890-1926
(1890-1899 = 100)

IN PERCENTAGES

Classification	1890	1900	1910	1920	1926
Manufacturing employees	101	98	104	113	129
Employees in public utilities	98	95	94	107	117
Coal miners (Bituminous)	115	121	127	142	152
Clerical and salaried workers	88	102	96	81	103
Government employees	100 ^a	91	80	54	70
Postal employees	92	95	89	70	96
Teachers	87	109	135	115	186
Ministers	99	89	80	64	98
Unskilled laborers	97	96	99	112	121
Farm employees	99	102	115	124	108
Building trades	97	98	106	91	138

^a 1892.

SOURCE: Compiled from data presented in Douglas, *loc. cit.*

would be apparent. A preliminary survey of the data now available shows that most groups of workers experienced a decline in real earnings and in real incomes between 1929 and 1933, and that the declines were much more severe within certain groups than within others. Perhaps the most noticeable exception to this trend is found in the public utility workers group where substantial gains in real weekly earnings are apparent among telephone and telegraph employees and electric light and street railway employees.¹⁹ The fluctuations in average annual dollar incomes between workers within various industrial divisions during the past few years are presented in Table 24. Differences in depression trends of per capita money salaries and wages are readily observed from an examination of the contents of Tables 24 and 25, containing comparable data for employees in selected industries. Here will be found statistical evidence supporting the common observation that salary adjustments tend to lag behind decreases in wages during business recession. Salary averages by 1932, for instance, stood at 85 per cent of their 1929 levels, while wages averaged only 68 per cent of their 1929 levels.

19. Cf. Millis and Montgomery, *op. cit.*, p. 102.

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TABLE 24

AVERAGE PER CAPITA FULL-TIME ²⁰ INCOME OF EMPLOYEES (WAGE EARNERS AND SALARIED), BY INDUSTRIAL DIVISIONS, 1929-1937

IN DOLLARS

Industrial Division	1929	1930	1931	1932	1933	1934	1935	1936	1937
Agriculture	810	736	576	439	403	447	485	522	580
Mining	1465	1363	1153	953	938	1047	1086	1188	1277
Manufacturing	1507	1465	1343	1112	1038	1118	1180	1256	1385
Contract construction	1895	1838	1709	1497	1185	1200	1227	1369	1529
Transportation	1648	1617	1562	1375	1305	1371	1472	1541	1603
Electric light & power & manufactured gas	1443	1461	1460	1387	1319	1341	1385	1417	1503
Communication	1352	1395	1423	1327	1232	1317	1392	1451	1532
Trade	1551	1543	1491	1308	1167	1243	1383	1315	1380
Finance	1835	1781	1705	1588	1504	1547	1632	1728	1792
Government (excluding work-relief employees) .	1496	1497	1492	1452	1343	1353	1388	1424	1437
Service	1124	1090	1018	900	829	849	876	908	961
Miscellaneous	1454	1422	1301	1108	1033	1095	1146	1214	1311

SOURCE: Robert R. Nathan, *Income in the United States, 1929-1937*, U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, 1938, Table 16, p. 38.

TABLE 25

PER CAPITA SALARIES AND WAGES PAID (FULL-TIME EQUIVALENT), SELECTED INDUSTRIAL DIVISIONS
(1929-1937)

IN DOLLARS

	1929	1930	1931	1932	1933	1934	1935	1936	1937
Mining:									
Salaries	2,423	2,317	2,248	2,008	1,811	1,886	1,983	2,060	2,098
Wages	1,399	1,291	1,069	872	870	985	1,024	1,127	1,218
Manufacturing:									
Salaries	2,670	2,694	2,545	2,223	2,087	2,146	2,156	2,198	2,407
Wages	1,299	1,211	1,083	877	852	940	1,014	1,094	1,208
Contract construction:									
Salaries	2,926	3,003	2,951	2,642	2,367	2,540	2,620	2,816	2,945
Wages	1,764	1,670	1,519	1,322	1,025	1,032	1,059	1,197	1,360
Transportation:									
Salaries	2,101	2,105	2,086	1,898	1,806	1,935	2,086	2,170	2,264
Wages	1,630	1,583	1,510	1,301	1,278	1,344	1,488	1,584	1,638
Selected industries:									
Salaries	2,559	2,586	2,467	2,171	2,030	2,111	2,156	2,217	2,398
Wages	1,400	1,318	1,181	970	918	995	1,069	1,158	1,266

SOURCE: Nathan, *op. cit.*, Table 19, p. 40.

20. For an explanation of the term "full-time earnings" see above source, p. 32.

Income produced represents the net value of all commodities produced and services rendered in the nation in a given year. Income paid out represents payments made by producing units such as agriculture, manufacturing, trade, and services, to individuals or aggregates of individuals for services rendered, and includes salaries, wages, dividends, interest, net rents and royalties, and amounts withdrawn by farmers and business and professional people from enterprises which they own or manage.²¹ The largest dollar gains in 1937 over 1936 for income produced were in construction (21 per cent), mining (20 per cent), manufacturing (17 per cent), and service (10 per cent). Because of the reductions in appropriations for work-relief projects the government reported lower amounts of income produced in 1937 than in the previous year. Comparing 1937 with 1932, income produced in 1937 was more than trebled in mining, almost trebled in manufacturing, and more than doubled in agriculture (see Table 26). In the construction, transportation, finance, and miscellaneous groups the income produced in 1937 was only 50 to 75 per cent of the dollar levels in 1929. All other groups were within 20 per cent of the 1929 figures.

THE DISTRIBUTION OF NATIONAL INCOME. Even though a man may possess many worldly goods, and thus be well-to-do under the standards of wealth established above, in the final analysis his standard of living will depend upon his real income—for it is only by means of an income (either earned or unearned) that he is able to buy the ordinary necessities and conveniences of life. To the laboring man the distribution of income is significant for two reasons: first, it determines how much labor as an agent of production is to share in the total national income when compared with the other productive agents of capital and entrepreneurial ability, and second, it determines how much he is to enjoy as compared with the millions of other consumers throughout the nation, and thus fixes his living standards relative to those of all others.

The total real income of any nation can be thought of as a huge national granary or storehouse filled each year with innumerable units

21. Definitions as established by the U. S. Department of Commerce in its National Income analysis. (See *Labor Information Bulletin*, U. S. Department of Labor, vol. ii, September, 1938, p. 12.)

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TABLE 26

NATIONAL INCOME, BY INDUSTRIAL DIVISIONS, 1929-1938
IN MILLIONS OF DOLLARS

Item	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Total national income	82,691	69,104	54,249	40,089	42,504	50,611	55,794	65,226	71,853	63,993
Agriculture	7,258	5,622	3,729	2,551	3,419	4,553	5,276	5,970	6,378	5,432
Mining	1,789	1,237	687	478	534	920	954	1,229	1,428	1,051
Electric light & power & manufactured gas	1,268	1,195	1,139	1,011	941	1,034	1,042	1,116	1,201	1,143
Contract construction	3,762	2,957	1,844	829	547	813	920	1,634	1,861	1,759
Manufacturing	20,297	14,983	10,192	6,012	8,164	10,514	12,405	14,937	17,551	12,803
Transportation	7,095	6,140	4,937	3,623	3,606	3,817	4,136	4,796	5,142	4,409
Communication	1,045	1,011	908	722	639	676	722	767	816	804
Trade	11,289	9,406	7,589	5,380	6,013	7,023	7,578	8,459	9,181	8,761
Finance	8,845	7,840	6,400	5,141	4,552	4,921	5,330	6,044	6,576	6,116
Government, including work-relief wages	6,317	6,434	6,452	6,349	6,563	7,626	7,919	9,447	9,133	9,845
Government, excluding work-relief wages	6,317	6,434	6,452	6,349	5,917	6,196	6,580	7,064	7,394	7,701
Work-relief wages	—	—	—	—	646	1,430	1,339	2,383	1,739	2,144
Service	9,750	8,851	7,447	5,632	5,368	6,223	6,845	7,661	8,588	8,200
Miscellaneous	3,976	3,428	2,925	2,359	2,157	2,488	2,660	2,868	3,048	2,550
Social security contribution of employers	—	—	—	—	—	3	7	299	950	1,119

SOURCE: *Survey of Current Business*, U. S. Department of Commerce, Bureau of Foreign and Domestic Commerce, vol. 19, June, 1939, Table 1, p. 11.

of products and services produced by all those who have saved and labored. Capital, by means of its highly mechanized round-about process, is constantly making a contribution to the storehouse, since through the accumulation of such instruments as funds, buildings, and machines it is possible to produce much more than could be done by hand. Capital

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tal's share in the distributive process is interest. Likewise labor, through its services rendered in the construction, operation, and maintenance of machines and the performance of innumerable professional and other services, is directly responsible for a large part of the storehouse of goods, and so shares in their consumption. The enterpriser participates in the form of profits, for through his efforts other productive agents are brought into the most effective balance, and business activities are organized and initiated. The relative extent to which these factors in production have shared in the total national money income during the depression years is shown by the data in Table 27. The actual payments, by months, are set forth in Chart 9.

TABLE 27
PERCENTAGE DISTRIBUTION OF INCOME PAID OUT, BY TYPE OF
PAYMENT, 1929-1938

Item	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Total compensation of employees	65.8	64.8	64.5	63.7	64.8	65.9	66.3	66.2	66.7	67.3
Total salaries and wages	65.3	64.2	63.7	62.8	62.5	62.3	63.0	61.2	62.0	61.3
Work relief wages ^a ..	—	—	—	—	1.4	2.7	2.4	3.7	2.5	3.3
Social security contribution of employers ..	—	—	—	—	—	0	0	.4	1.3	1.7
Other labor income ..	.5	.6	.8	.9	.9	.9	.9	.9	.9	1.0
Total dividends and interest ^b	14.3	15.6	16.2	16.8	16.2	15.3	14.4	14.9	14.4	13.0
Dividends	7.4	7.8	6.9	5.6	4.8	5.4	5.4	7.5	7.7	5.7
Interest	6.7	7.5	8.8	10.7	10.8	9.7	8.8	7.5	6.9	7.4
Entrepreneurial withdrawals	15.6	15.9	16.0	16.3	15.9	15.6	15.9	15.3	15.3	16.1
Net rent and royalties ..	4.3	3.7	3.3	3.2	3.1	3.2	3.4	3.6	3.6	3.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

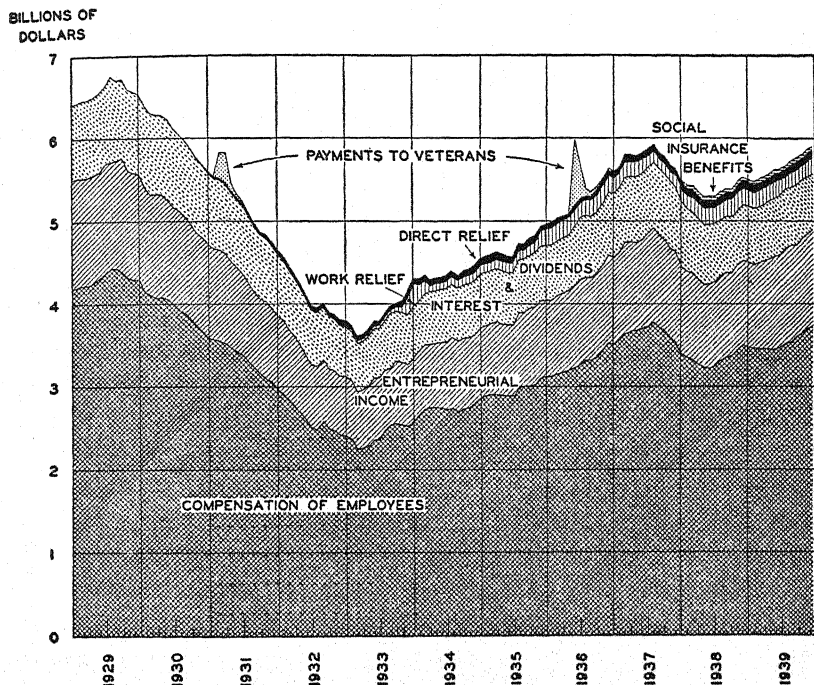
^a Includes pay roll and maintenance of C.C.C. enrollees and pay rolls of C.W.A., F.E.R.A., and the Federal Works Program projects, plus administration pay rolls outside Washington, D.C. for all except Federal Works Program. Area office employees and their pay rolls under the Federal Works Program are included with the regular federal government employment and pay roll figures.

^b Includes also net balance of international flow of property incomes.

SOURCE: *Survey of Current Business*, *op. cit.*, Table 3, p. 13.

This analysis shows that labor shares directly in approximately two-thirds of the nation's production. When personal earnings of the entre-

CHART 9
INCOME PAYMENTS IN THE UNITED STATES, 1929-1939



SOURCE: The chart was drawn from special data received from the U. S. Bureau of Foreign and Domestic Commerce, Division of Economic Research, National Income Section. Instead of index numbers of which those data consisted, actual monetary figures are used by a translation of the index numbers into monetary amounts. *All data are adjusted for seasonal variations.* A similar chart has been published in several issues of the *Social Security Bulletin* and of the *Survey of Current Business*. (Note: Compensation of employees does not include work relief. Up to January 1, 1933, work relief was included in direct relief.)

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preneur are also classified properly as wages rather than return on business ownership, we discover that direct personal productivity accounts for about 75 per cent of the total national income, and is therefore three times as important a source as the return upon property rights and ownership.

The distribution of national income is characterized by marked unevenness and wide variation in the size of individual income amounts. Most people know that some persons and families receive small incomes; few realize how many Americans fall within the lowest income groups. But income tax returns provide an engaging field for statistical analysis. The result is that there are available a number of reliable studies of income distribution which show some interesting tendencies in this regard. In 1921 the National Bureau of Economic Research published the results of an investigation of income distribution in the United States which showed that in 1918 the number of individuals and their incomes was as follows:²²

INCOME CLASS				NUMBER OF PERSONS
Incomes up to	\$2,000	.....		32,078,411
" from	\$2,000 to	\$3,000	.....	3,065,000
" "	\$3,000 "	\$10,000	.....	1,970,991
" "	\$10,000 "	\$50,000	.....	233,181
" "	\$50,000 "	\$200,000	.....	18,956
" "	\$200,000 "	\$500,000	.....	1,976
" "	\$500,000 "	\$1,000,000	.....	369
" of	\$1,000,000 and over	.....		145

This information indicated further that 60 per cent of the national income was divided among the 86 per cent of the gainfully employed who had incomes of \$2000 or less a year, while 40 per cent of the income was received by the 14 per cent who had incomes exceeding \$2000. The most prosperous 5 per cent of the income receivers (those receiving incomes of \$3,200 and above) had nearly 26 per cent of the total, while the most prosperous 20 per cent (those receiving incomes above \$1,700) had 47 per cent of the total.²³ Putting it in a slightly dif-

22. National Bureau of Economic Research, *Income in the United States: Its Amount and Distribution, 1909-1919*, pp. 14, 15.

23. *Ibid.*, pp. 14, 15.

ferent way, about one-half of the national income (47 per cent) went to one-fifth of the income receivers, while the remaining half (53 per cent) was distributed among the other four-fifths of the income receivers. About 40 per cent of the people received incomes of less than \$1000 and obtained only about 18 per cent of the total.

The most intensive studies recently made of income distribution throughout the United States have been made by the National Bureau of Economic Research, the National Resources Committee, the National Industrial Conference Board, and The Brookings Institution. These bear out the general pattern of unequal distribution of national income established by this earlier study. One of these studies, that of The Brookings Institution,²⁴ shows the distribution of net family incomes among 27,474,000 families of two or more persons receiving an aggregate income of approximately \$77,000,000,000 (approximately \$2800 per family on the average), and 8,988,000 unattached individuals who, in 1929, received an aggregate income of \$15,834,000,000 or about \$1,760 per capita.²⁵ The sum of these two aggregates, about \$93,000,000,000, is slightly larger than the total national income figures given on page 242 because it includes profits from the sale of property, securities, and the like, and makes an allowance for income on certain durable consumption goods, while the previous figures represent the dollar value of the national income produced.

The actual distribution of the \$77,000,000,000 income received in 1929 by the 27,474,000 families is presented in Table 28. The great inequalities present in the sharing of national income are clearly discernible from this picture, and only a few of the more significant facts need be emphasized. During this year nearly 6 million families—more than 21 per cent of the total—received incomes of less than \$1000. Approximately 16 million families—more than 59 per cent—had incomes of less than \$2000, and over 21 million families (78.4 per cent) received less than \$3000 each during the year. Only slightly more than 1½ million families (less than 6 per cent of the total number) had incomes in ex-

24. Maurice Leven, Harold G. Moulton, and Clark Warburton, *America's Capacity to Consume*.

25. Leven, *et al.*, *op. cit.*, pp. 52-3.

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TABLE 28

DISTRIBUTION OF NUMBER AND INCOME OF FAMILIES IN THE
UNITED STATES, 1929

INCOME CLASS (in dollars)	TOTAL IN EACH CLASS				CUMULATIVE TOTALS			
	Families		Income		Families		Income	
	Num- ber in thou- sands	As per- cent- age of total	In mil- lions of dollars	As per- cent- age of total	Num- ber in thou- sands	As per- cent- age of total	In mil- lions of dollars	As per- cent- age of total
Under 0	120	0.44	- 615	- 0.80	120	0.44	- 615	- 0.80
0 to 1,000	5,779	21.03	3,515	4.56	5,899	21.47	2,900	3.76
1,000 to 2,000	10,455	38.05	15,364	19.92	16,354	59.53	18,264	23.68
2,000 to 3,000	5,192	18.86	12,586	16.32	21,546	78.42	30,850	40.01
3,000 to 4,000	2,440	8.88	8,388	10.88	23,986	87.30	39,238	50.88
4,000 to 5,000	1,232	4.48	5,478	7.10	25,218	91.79	44,716	57.99
5,000 to 6,000	666	2.42	3,632	4.71	25,884	94.21	48,348	62.70
6,000 to 7,000	407	1.48	2,628	3.41	26,291	95.69	50,976	66.10
7,000 to 8,000	252	0.92	1,883	2.44	26,543	96.61	52,859	68.55
8,000 to 9,000	172	0.63	1,459	1.89	26,715	97.24	54,318	70.44
9,000 to 10,000	128	0.47	1,218	1.58	26,843	97.70	55,536	72.02
10,000 and over	631	2.30	21,580	27.98	27,474	100.00	77,116	100.00
All Classes	27,474	100.00	77,116	100.00	27,474	100.00	77,116	100.00

SOURCE: Adapted from Leven, Moulton, and Warburton, *America's Capacity to Consume*, p. 54. Reproduced by permission of The Brookings Institution.

cess of \$5000, out of which only 600,000, or 2.3 per cent, received incomes of more than \$10,000 each.²⁶

Thus the 11,653,000 families at one end of the income scale with total family incomes of less than \$1500 each received a total of about \$10,000,000,000, while the 36,000 families at the other extreme received an aggregate income during the year of \$9,800,000,000. In other words, as The Brookings Institution has put it, "thus it appears that 0.1 per cent of the families at the top received practically as much as 42 per cent of the families at the bottom of the scale."²⁷ It is probably true, however, that the speculative profits realized by a relatively few with incomes in excess of \$5000 in 1929 tended to exaggerate the disproportionate distribution somewhat over what would be found in a normal year.

26. Summarized in Leven, *et al.*, *op. cit.*, p. 55.

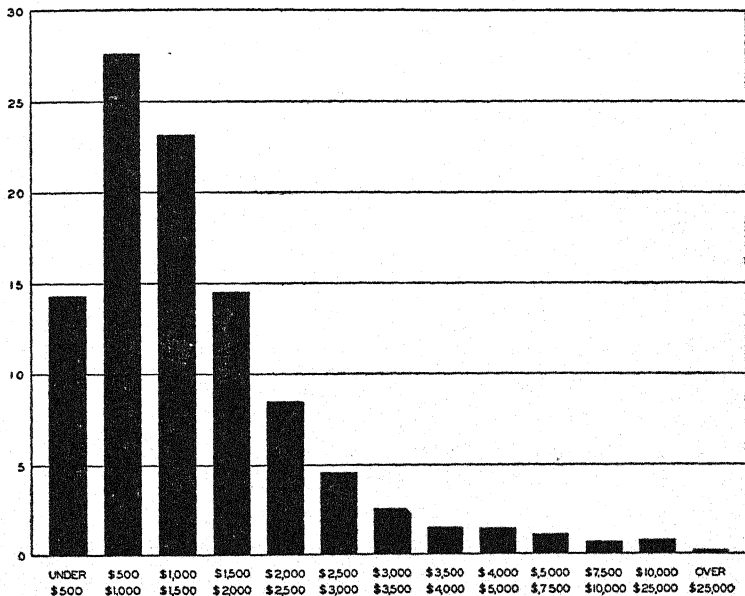
27. *Ibid.*, p. 56.

CHART 10

DISTRIBUTION OF AMERICAN FAMILIES BY INCOME LEVEL, 1935-1936

IN PERCENTAGES

PER CENT OF
ALL FAMILIES



SOURCE: *Consumer Incomes in the United States, 1935-1936*, National Resources Committee, p. 18, Table 3.

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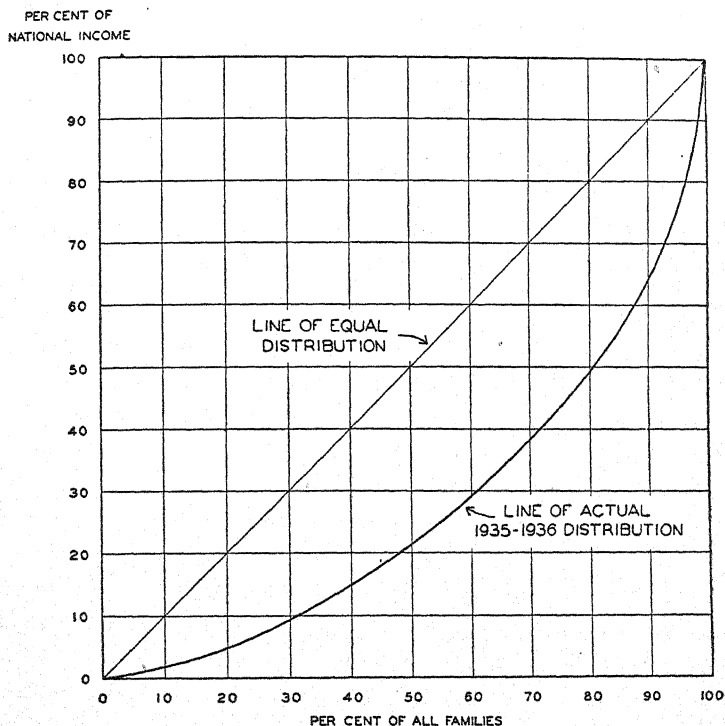
A more recent study, completed in 1938 by the National Resources Committee, shows that during 1935-1936 in the United States 14 per cent of all families received less than \$500 during the year, 42 per cent received less than \$1000, 65 per cent less than \$1500, and 87 per cent less than \$2500. The pattern of this national distribution is strikingly set forth in Chart 10, and the relative percentages of the total national income received by various portions of the population are presented in the Lorenz curve in Chart 11. Had there been an equal distribution of the income throughout the nation (that is, had 10 per cent of the population received 10 per cent of the national income, 20 per cent of the population 20 per cent of the national income, and so on), the curve of distribution along Chart 11 would have been a straight line. But the line is far from straight. The curve shows that over 30 per cent of the population (read along the horizontal line of the chart) received only 10 per cent of the total national income (read along the vertical line), while over 60 per cent received only 30 per cent of the income. At the upper end of the curve 10 per cent of the population are seen to have received over 35 per cent of the total national income, and some 7 per cent about 30 per cent of the national income.

That the general picture established by these data persists during each year—whether good or bad from a business and employment point of view—is evident from a review of income distribution figures over a period of years. Such information has been made available in certain sections of the country, although as yet no national figures are available. Perhaps some of the most valuable statistics showing the effect of the depression upon the distribution of net family incomes have been compiled for representative families in the state of California.²⁸ This study is based upon data secured from 17,769 white families composing a representative cross section of families in all income groups and occupational classifications within the state. Several facts are clear from an examination of these data.

First, approximately twice as many families throughout California, were receiving total net family incomes of less than \$500 in 1933 as compared with 1929. Second, in spite of the phenomenal decrease in

28. *California Medical-Economic Survey, op. cit.*, p. 54.

CHART II
DISTRIBUTION OF NATIONAL INCOME AMONG FAMILIES, 1935-1936
IN PERCENTAGES



SOURCE: Compiled from *Consumer Incomes in the United States*, *op. cit.*, Table 6B, p. 96.

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net family incomes during the depression, the number of families found within the middle income groups still remained at a fairly constant proportion. For instance, there were less than 5 per cent fewer families, relatively speaking, with family incomes ranging between \$1,000 and \$2,000 during the depth of the depression in 1933 in California than there were during the prosperous year of 1929. Third, it follows from the first two observations that the shift in family income during the Great Depression has been downward by steps all along the income scale in such a way as to cause a considerable reduction in the number of families with relatively high income and an increase in the number with relatively small incomes. This is what has allowed the number of families within the middle income groups to remain fairly constant throughout the various phases of the business cycle.

The analysis made thus far, however, has not told the complete story of the effect of the depression upon family income distributions. Further inquiry has revealed some curious changes in the composition of each income class for each year under review. Table 29 presents, in composite form, the shift of individual families with certain 1929 net family incomes throughout the four-year period from 1929 to 1933. An examination of these data will disclose the fact that of all the families in California with a total net family income of less than \$500 in 1929, 74.2 per cent still remained within this income group by 1933, but the remaining 25.8 per cent had moved into higher income groups. In fact, 14.9 per cent had managed to work their way into the \$500-\$999 classification, whereas 3.7 per cent had moved up to the \$1000-\$1199 group and a few more fortunate had climbed into higher groups. Indeed, it will be found that 0.1 per cent were successful in moving from the less than \$500 total net family income group up the scale to where, by 1933, they were receiving total net family incomes ranging between \$7000 and \$9999 each.

This phenomenal, favorable shift in income position, however, is the exception rather than the rule. More often was the change downward rather than upward. Thus it will be observed that fewer than 7.5 per cent of all families who were receiving family incomes rang-

TABLE 29
PERCENTAGE DISTRIBUTION OF INCOMES OF IDENTICAL CALIFOR-
NIA FAMILIES, 1933 COMPARED WITH 1929
(Total in each income group in 1929 = 100)

Family Income 1929	Per Cent in Each Group 1929	Percentage of Families Who, Because of Changes in Net Family Income from 1929, Were Redistributed in 1933 into the Following Income Groups													
		Under 500	500- 999	1,000- 1,199	1,200- 1,499	1,500- 1,999	2,000- 2,499	2,500- 2,999	3,000- 3,499	3,500- 4,999	5,000- 6,999	7,000- 9,999	10,000- & over		
Under 500	100.0	74.2	14.9	3.7	2.8	2.1	0.8	1.0	0.1	0.2	0.1	0.1	0	0	0
500-999	100.0	25.2	64.1	6.0	2.9	1.1	0.4	0.2	0.1	0	0	0	0	0	0
1,000-1,199	100.0	16.3	39.6	32.6	7.2	3.3	0.7	0.1	0.1	0	0.1	0	0	0	0
1,200-1,499	100.0	11.1	27.1	22.3	32.2	5.5	1.2	0.2	0.1	0.2	0	0	0	0.1	0.1
1,500-1,999	100.0	7.6	17.4	13.5	21.4	34.6	3.9	1.0	0.3	0.1	0.1	0	0	0.1	0.1
2,000-2,499	100.0	6.3	11.9	9.4	15.5	27.5	26.1	2.2	0.5	0.5	0.1	0	0	0	0
2,500-2,999	100.0	4.6	8.4	5.6	13.2	19.9	22.0	22.3	2.1	1.3	0.4	0.1	0.1	0.1	0.1
3,000-3,499	100.0	3.9	6.9	6.5	7.3	12.1	18.7	18.1	21.6	4.3	0.5	0	0.1	0.1	0.1
3,500-4,999	100.0	4.2	6.9	3.9	6.6	9.9	11.9	12.2	13.2	29.0	1.8	0.4	0	0	0
5,000-6,999	100.0	4.2	3.6	3.0	3.3	6.4	8.6	10.0	10.6	20.9	28.7	0.7	0	0	0
7,000-9,999	100.0	2.6	3.2	2.3	2.3	4.6	4.6	8.1	9.4	21.1	16.9	23.0	1.9	1.9	1.9
10,000 and over	100.0	1.6	1.6	1.6	2.5	2.7	2.0	3.3	4.7	6.9	13.9	14.7	44.5	44.5	44.5

SOURCE: Adapted from *Economic Aspects of Medical Services*, *op. cit.*, p. 132. Reproduced by permission of the Graphic Arts Press, publishers.

ing from \$1200 to \$1499 in 1929 were actually able to increase their respective incomes by 1933; and a third (32.2 per cent) were able to hold their own, thus maintaining in 1933 the same approximate money incomes they enjoyed in 1929. On the other hand, however, almost 60 per cent of these families (those whose 1929 incomes were from \$1200 to \$1499) had been shifted downward by 1933—22 per cent into the next lower class (\$1000 to \$1199); 27 per cent into the second lower class (\$500–\$999); and 11 per cent into the lowest income class (less than \$500). While a proper interpretation must allow for adjustments in a decline in general living costs, these data tell the tragic story of thousands of families in California who suffered severely during the depression through decreased and inadequate family incomes.

This analysis shows the permanent economic plight of millions of workers and their families which is, in part, due to the maldistribution of national wealth and income. But there is more to the picture, as we shall see in the following chapter.

Questions for Class Discussion

1. What is the difference between a nation's wealth and its income? What part of the national income accumulates into the national wealth? What are the sources of national wealth?

2. What have been the major (a) gains and (b) losses resulting from the trend toward economic dependency in employment in the United States?

3. Analysis of the number of persons engaged in major divisions of American industrial life reveals that during recent years in some industries, such as agriculture, coal mining, and railway, the total or the proportionate number employed has actually decreased. In view of the constant increase in the total number eligible for gainful employment, what industries have gained in numbers employed? What has happened to these workers?

4. Why is the death rate among unskilled workmen so much higher than it is among professional groups? What environmental factors would you expect to affect the rich and poor alike? Which illnesses are more common among the rich than the poor? Which are less common?

5. Is it true that, despite counteracting forces, there continues a trend toward concentration of wealth and income among the American people? What forces are responsible for this trend, and what forces are tending to

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counteract it? What evidences can you cite in support of this concentration trend?

6. Why is the per capita wealth and income in the United States higher than it is in any other nation of the world?

7. Under what conditions can the wealth of a nation remain constant, or actually decrease, instead of increasing?

8. From Charts 7 and 8 it is apparent that real income (national and per capita) decreased appreciably during the Great Depression. Is this downward trend inevitable in a depression period? Under what conditions might real incomes actually have risen?

9. How do you account for the wide variations in real income received by different occupational or industrial groups of American workers?

10. Just what determines how much a worker is to receive for his labor? Does he sometimes receive less than he really earns? Does he ever receive more than he really earns?

11. Suppose you were called in by the government to help in the drafting of a program aimed at effecting a more equitable distribution of national income. Would you support the general objective of such a program? If so, what basic principles of income distribution would you adhere to, and where would you look for the greatest opportunities of accomplishing your goal?

(For Collateral Readings, see list at end of Chapter 9)

Chapter 9

WEALTH, INCOME, AND WAGES IN RELATION TO THE STANDARDS OF LIFE—Continued

¶ THE TREND OF THE WORKER'S INCOME. Contrasted with the affluence of the highly privileged few is the necessitous position in which the general mass of wage-earners' families often find themselves. As already suggested, the worker's income is identical with his wages; seldom has he additional sources to draw from, such as the funded income of the more wealthy classes. Studies of working-class budgets in the United States show that approximately 89 per cent of the average income in 1918-1919 represented the husband's contribution to the family income, while the remaining 11 per cent came from the wife, children, lodgers, boarders, and certain other miscellaneous sources. In less prosperous periods the husband's contribution has ranged from 73 to 79 per cent of the total family income.¹

Ignoring the relatively few classes of well-paid skilled workers whose incomes ranged from \$1500 to \$2000 a year, the majority of American wage earners evidently were not receiving an adequate wage at the outbreak of the World War. The average income of wage-earners' families was somewhere between \$600 to \$630 a year, according to the most reliable estimates. Such an income was, of course, totally insufficient to assure a decent standard of living. The extent to which the workers have shared in the national prosperity that has come as a by-product of the World War has often been grossly exaggerated, and until recently reliable information was almost totally lacking. Now, however, there

1. W. A. Berridge, E. A. Winslow, and R. A. Flinn, *Purchasing Power of the Consumer* (McGraw-Hill, 1925), p. 135.

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are available a number of excellent analyses that provide authoritative data.² Only a brief summary of these is possible here.

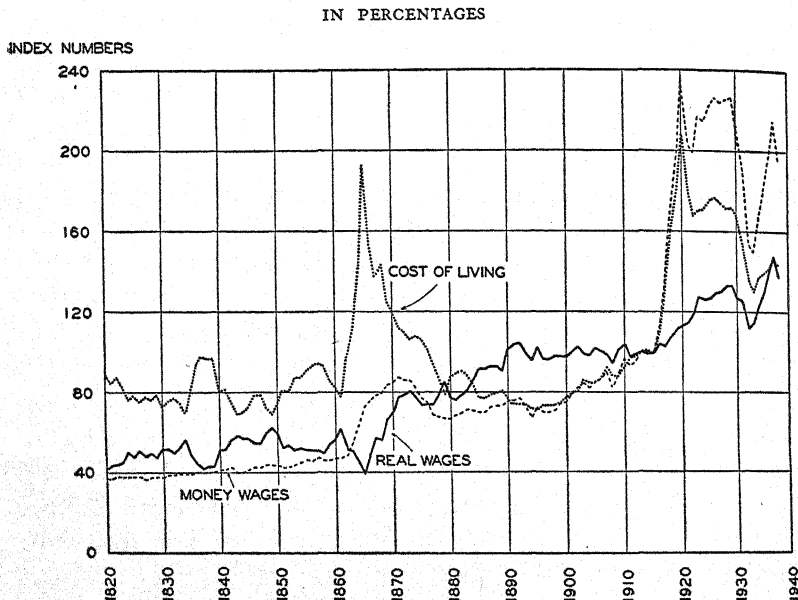
The trend of wages in the United States has been referred to briefly in the discussion of the increase in productivity, per capita wealth, and total national income. Real earnings are of such vital importance to the workers, however, that the subject needs further analysis. Average annual dollar earnings of employees in all American industries, including farm labor, together with relative earnings and real earnings, show a consistent upward movement during the past half century. The extent of this upward trend is clearly discernible by a review of Chart 12, compiled from the noteworthy study by Professor Paul H. Douglas.

The movement of real wages was upward between 1820 and 1850, during which time money wages rose markedly and the cost of living dropped somewhat. At the beginning of this period, 1820, the real wages index stood at 41 per cent of the 1913 level; by 1850 it was 59 per cent of the 1913 level.³ The reverse situation existed between 1850 and 1865, when the general trend of prices was upward and real wages manifested a downward tendency. In the period from 1870 to 1897 (see Chart 12), the trend of prices was heavily downward while real wages evidenced a strong upward tendency. From 1897 to 1919 these phenomena again reversed themselves, the general trend of prices being upward while real wages for a time showed a downward tendency and then continued to remain somewhat stationary. Real wages rose sharply as the price level declined rapidly beginning with 1920. Changes taking place in the real and nominal weekly earnings of workers in selected industries between 1929 and 1933 are set forth in Table 30.

2. For a detailed study the student is referred to the following: Alvin H. Hansen, "Some Factors Affecting the Trend of Real Wages," *American Economic Review*, vol. xv, March, 1925, pp. 27-42; Paul H. Douglas, *Real Wages in the United States, 1890-1926*; George Soule, "The Productivity Factor in Wage Determination," *American Economic Review*, vol. xiii, Supplement, March, 1923, pp. 129-240; and the recent special studies published by The Brookings Institution, *America's Capacity to Consume* (1934), *Income and Economic Progress* (1935), and *Productivity, Wages and National Income* (1940).

3. Millis and Montgomery, *Labor's Progress and Some Basic Labor Problems*, p. 81.

CHART 12
MOVEMENT OF MONEY WAGES, COST OF LIVING, AND REAL WAGES
IN THE UNITED STATES, 1820-1938
(Factory Wages Only)



SOURCES: 1820-1889: Alvin H. Hansen, "Factors Affecting the Trend of Real Wages," *American Economic Review*, vol. xv, March, 1925, p. 38. 1890-1926: Paul H. Douglas, *Real Wages in the United States, 1890-1926*, pp. 60 and 246. 1927-1936: *Statistical Abstract of the United States* (U. S. Department of Commerce, 1937), p. 315, table 356. 1937-1938: Our own computation from several sources. 1913 = 100.

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TABLE 30

CHANGES IN NOMINAL AND REAL WEEKLY EARNINGS BETWEEN
1929 AND 1933

Industry	Average Nominal Weekly Earnings		Percentage of Change in Average Weekly Earnings		Average Hours per Week
	1929	1933	Nominal	Real	1933
Manufacturing	\$25.30	\$15.79	-38%	-14%	39
Mining					
Anthracite coal	31.00	24.00	-22	+7	29
Petroleum (crude)	36.00	27.00	-27	+1	45
Trade					
Retail	23.00	16.00	-29	-11.1	47
Wholesale	36.00	27.00	-25	+4	47
Public utilities					
Telephone & telegraph	25.00	24.00	-6	+30	37
Electric light	30.00	25.00	-18	+13	44
Electric railways	33.00	28.00	-16	+16	46
Steam railways					
Wage employees	32.00	26.00	-20	+10	42
Salary employees	44.00	37.00	-16	+16	—
Service					
Laundry	19.00	14.00	-27	+1	42
Cleaning	25.00	16.00	-36	-11	45
Hotel	17.00	12.00	-29	-14	51

SOURCE: Adapted from Millis and Montgomery, *Labor's Progress and Some Basic Labor Problems*, p. 120, which has been compiled from Lyon, Homan, Terborgh, Dearing, Lorwin, and Marshall, *The National Recovery Administration*, The Brookings Institution, p. 778.

The trend of real wages and earnings in some of the principal nations of the world since 1930 is presented in Table 31. Here it will be observed that, for those who were fortunate enough to remain employed, real wages and earnings actually increased during the years subsequent to 1929 in most of the major nations of the world. By the end of 1937 this increase in real wages had become quite substantial in Poland (18 per cent) and the United States (37 per cent) when hourly earnings are considered; but when weekly earnings are taken as a basis of computation, the tendency toward a reduction in the hours of labor, especially in the United States, actually showed but little progress in weekly earnings of 1937 over 1929. Even here, however, a noticeable

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increase in weekly earnings is discernible since the depression depth in 1933. Germany and Japan appear to offer the two most significant exceptions to the observation that real earnings were higher by the end of 1937 than they were in 1929. Undoubtedly the arbitrary establishment of money wages has been an important factor in holding down real earnings in Germany. It is difficult to offer a logical explanation for such a condition in Japan.

TABLE 31
INDEX NUMBERS OF REAL WAGES IN VARIOUS COUNTRIES
(1929 = 100)

Countries	Unit Scope		1931	1933	1935	1936	1937		
							June	Sept.	Dec.
Australia	H	R	105	104	102	103	103	—	—
Belgium	H	E	109	109	103	104	109	106	107
Czechoslovakia (Prague)	H	R	110	113	108	106	101	102	104
Denmark	H	E	114	110	105	105	103	102	—
France (Paris)	H	R	106	111	117	127	^a	148	^a
Germany	H	R	109	104	99	98	97	98	98
"	H	E	102	95	95	96	96	97	—
Great Britain	W-H	R	109	112	111	111	111	110	108
Italy	H	E	103	106	108	104	111	(106)	(103)
Japan	D	E	121	113	109	105	102	94	—
Netherlands	H	E	111	107	103	103	101	^a	—
New Zealand	W	R	103	103	101	109	111	109	109
Poland	H	E	110	112	114	118	111	112	118
U.S.S.R.	M	E	^a	^a	^a	^a	^a	^a	^a
United States	H	E	110	111	123	123	135	136	137
" "	W	E	94	86	98	105	115	110	103

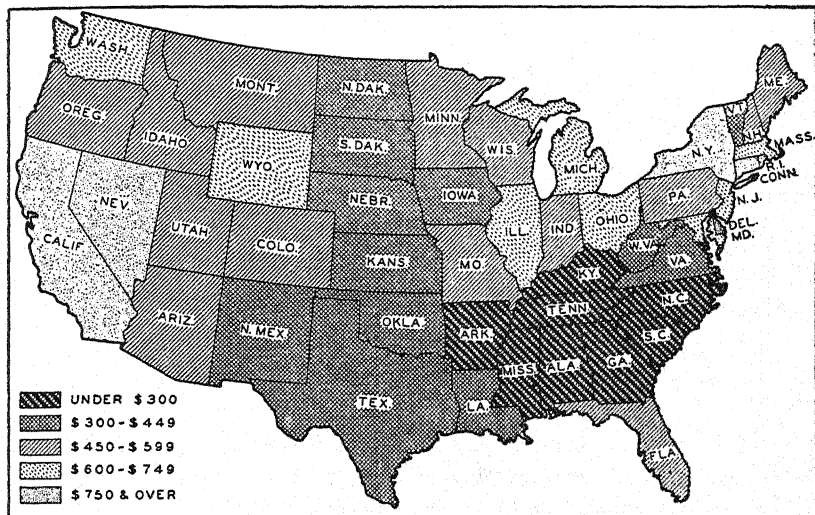
H = hour; W = week; D = day; M = month; R = rates; E = earnings.

^a No figures exist.

SOURCE: International Labor Office, *Report of the Director*, 24th Ses., Geneva, 1938, p. 32.

It is evident from this study that real wages tend to move inversely to the general level of prices, rising as prices fall and falling as prices rise. But wage deflation usually accompanies business depression, so that the gains made by labor in years of prosperity are likely to be lost in years of depression. Because of increased employment, the purchasing power of laborers as a group rises in times of great business activity. On the other hand, the unemployment which is incident to business depression causes the purchasing power of labor to fall. The common

CHART 13
PER CAPITA INCOME PAYMENTS BY STATES, 1937



SOURCE: U. S. Bureau of Foreign and Domestic Commerce, *State Income Payments, 1929-1937*, May, 1939 (mimeographed), p. 6, Table III. (Note: The results obtained are not exact because a part of the population lives in one state and works in another, such as New Jersey and New York. See the above source for a more detailed explanation, pp. 5-7.)

assumption that the purchasing power will be high if real wages are high is fallacious, as Professor Hansen points out, since high rates of real wages mean nothing to men and women who are out of work.⁴ This suggests the inadequacy of index numbers of prices and wages that do not take cognizance of time lost from various causes.

The various analyses that have been made indicate that the real earnings of the working class in the United States changed but little between 1890 and 1912.⁵ During the war period, from 1914 to 1918, a slight gain in real wages took place, so that the employed workers found themselves in a slightly better position at the end of the conflict than at its beginning. Although the general level of prices advanced rapidly during this period, the earnings of employed workers also rose at a rapid rate, registering an advance of 67 per cent.

The major improvement in real wages has come, however, since 1918. Chart 12 shows that the index of real earnings for all industries increased from 106 in 1918 to 123 in 1923 and 135 in 1928, representing a gain of 29 points, 16 of which came between 1919 and 1923.⁶ According to the data presented in Table 31, real hourly wages in the United States have continued to advance following 1929, but due to a reduction in the number of working hours per week, real weekly earnings by the end of 1937 were only 3 per cent above their 1929 level.

The principal cause of this improvement in real wages, already discussed at length in a preceding chapter, has been the unprecedented increase in technical efficiency which has so enhanced the productivity of American industry as to make possible higher wages, even within a shorter workday. In addition, Professor Douglas calls attention to the restriction of immigration and the decrease in the rate of growth of the labor supply, the rapid growth of capital and the fall in the interest rate, the threat of unionism, and the influence of the decrease in the exchange value of food products of the farm since 1919, thereby bringing a corresponding increase in the exchange value of manufactured products. This author also suggests that improvement in the welfare

4. Hansen, *op. cit.*, p. 38.

5. Real wages are found by dividing money wages by the cost of living.

6. Douglas, *op. cit.*, p. 590.

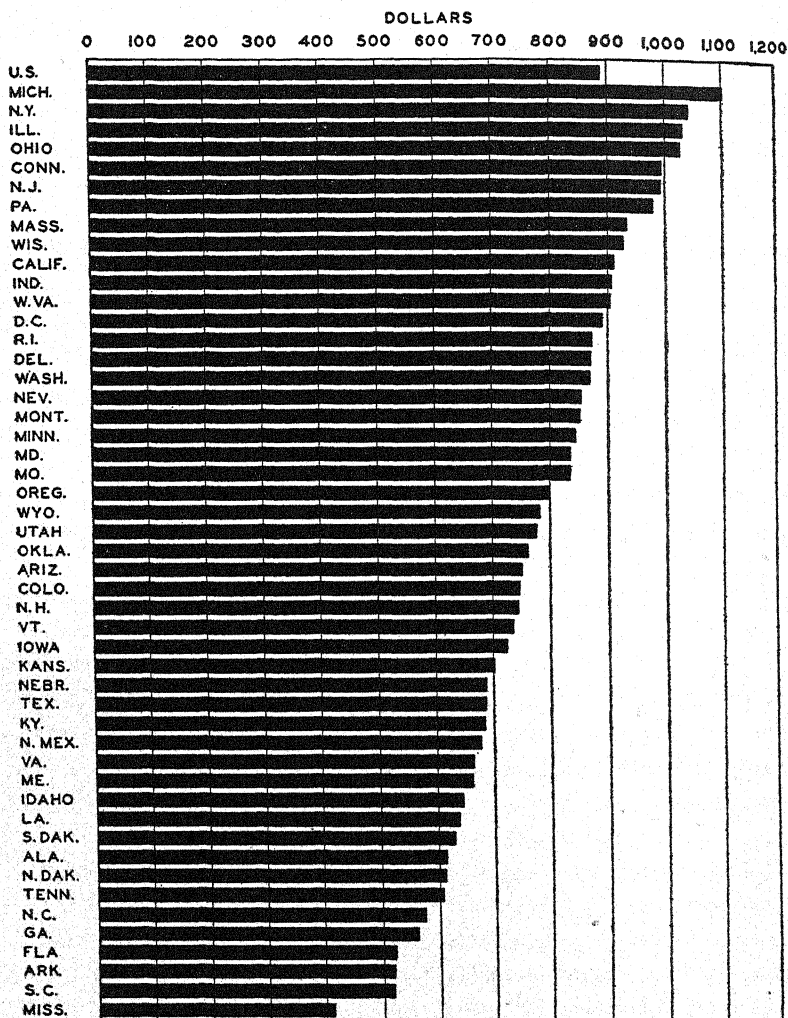
of the working class has undoubtedly come through such factors as the decrease in the size of wage earners' families, a reduction in the relative proportion of the members of the family who are economically dependent on the head for support, an increase of leisure time resulting from the shorter workday that makes it possible for the workers to do many things at home which they previously hired someone else to do, and the extension of free services, sometimes referred to as "free income," provided for the workers by governmental and philanthropic agencies.⁷

The distribution of per capita income payments by states as reported to the Social Security Board for the year 1937 is presented in Chart 13, and recent average employee earnings by states are shown in Chart 14. The southern states still make up the darkest portion of state per capita income, there being eight states in the southeastern portion of the nation where per capita income is less than \$300 yearly. New York, Connecticut, California, and Nevada are the four states where per capita incomes are highest; in each state they averaged more than \$750 during 1937. Employee earnings (for those earning less than \$3000) averaged (1937) slightly under \$900, and varied markedly from state to state. They were highest in Michigan, where doubtless employment in the highly skilled trades is largely responsible for the \$1100 average (see Chart 14). As might be expected, the poorer laboring conditions of the south resulted in an actual average employee earning of only slightly more than \$400 during the year. In interpreting these data, care must be exercised in making allowance for the relatively large share of income outside the earnings of employees which accrues to certain classes of the population of wealthier states.

WAGES AND THE WORKER'S BUDGET. While advances in real wages are encouraging, such gains do not necessarily mean that the income of the wage-earning class is sufficient to maintain a standard of living that meets the basic requirements of health, comfort, and decency. In the first place, unemployment may completely offset advances in real wages. There is small consolation in advancing rates of real wages

7. Paul H. Douglas, "The Movement of Real Wages and Its Economic Significance," *American Economic Review*, vol. xvi, Supplement, March, 1926, pp. 41-5.

CHART 14
EMPLOYEE EARNINGS BY STATES, 1937



SOURCE: Release by the Social Security Board for morning newspapers of April 10, 1939. Only employees under the Social Security Act whose earnings from one employer are not over \$3,000 a year are included.

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when unemployment repeatedly appears to rob the worker of his chance to earn an income. For instance, the gain in real wages meant little to all American workers whose total dollar annual income declined so precipitously between 1929, a year of business activity, and 1932, a year of business depression (see Table 26) at a time when living costs fell only 25 per cent.⁸ And the advances registered since 1933 may be wiped out by wage deflation incident to future industrial depression. Such is the uncertainty of the worker's position under modern industrialism. That the vast majority of American wage earners have an actual annual income in accordance with even the most modest definition of adequacy is very doubtful despite the upward trend of real earnings. Practically all studies of wage earners' budgets that have been made during the last ten years indicate that a family of average size requires not less than \$2000 in 1929 dollars to supply only the basic necessities of life.⁹ Not all workers, of course, have families to maintain, so the average annual income would not have to be at this level to assure the maintenance of a desirable standard of living for the working class as a whole.

8. For cost of living indices, see *Survey of Current Business*, 1936 supplement, p. II.

9. See, for example, the estimates made by The Brookings Institution in *America's Capacity to Consume*, *op. cit.*, p. 56; the approximate expenditures required for support of American living standards presented in Table 32 following; the results of various budgetary studies made by the U. S. Bureau of Labor Statistics, Cost of Living Division; the Works Progress Administration's studies of the cost of living of a four-person manual worker's family at a "basic maintenance" and an "emergency" level in 59 cities (Monograph XII, March, 1935); the Heller Committee for Research in Social Economics (University of California), *Quantity and Cost Budgets for Four Income Levels*, October, 1937; the Bureau of Home Economics, U. S. Department of Agriculture, studies on diets at four economic levels of living and standard budgets; and the budget studies published by the International Labor Organization and by various private social service and research agencies, such as the Chicago Council of Social Agencies and the Detroit Visiting Housekeepers' Association. One of the most comprehensive studies ever made on the subject is National Resources Committee, *The Consumer Spends His Income*, published in June, 1939. An exhaustive annotated bibliography on studies of family living may be found in "Studies of Family Living in the United States and Other Countries: An Analysis of Material and Method" prepared by Faith M. Williams and Carle C. Zimmerman, Cost of Living Division, Bureau of Labor Statistics, U. S. Department of Labor.

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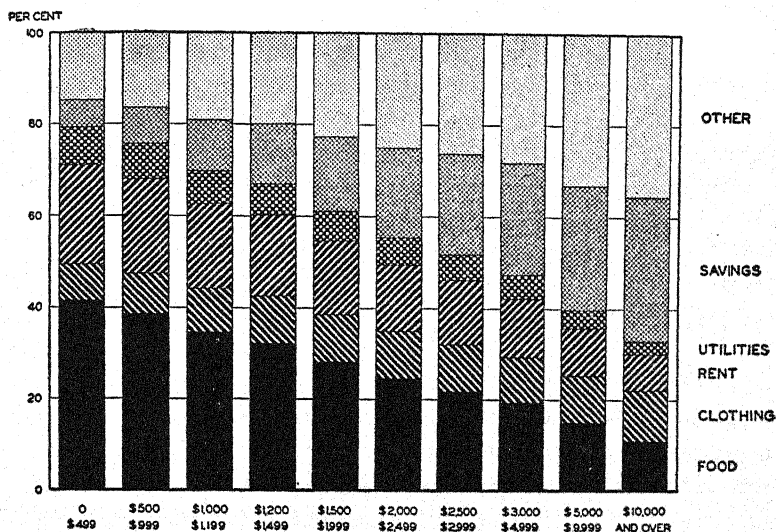
The average nominal annual earnings of all full-time workers in all American industries were \$1450 in 1929, \$1082 in 1933, and \$1244 in 1936. The average weekly nominal earnings of all workers in manufacturing were \$25.30 in 1929 and \$15.79 in 1933, during which time a decrease of 38 per cent in nominal earnings and of 14 per cent in real earnings took place. Average weekly dollar earnings vary widely from industry to industry; the service industries (hotel, laundry, and cleaning) being among those paying relatively low wages, and the public utilities and oil industries being important among those paying relatively high dollar wages (see Table 30, page 253). In view of the prevailing cost of living, such a level of wages is inadequate to provide anything approaching a decent standard of living, even for single persons. Some authorities estimate that at the present time the average wage earner's family of four requires an income of not less than \$150 a month, or \$1800 a year, to maintain the minimum standard of health and comfort.¹⁰ Taking the wage earners as a class, the average weekly earnings do not reach that amount.

Many significant studies of the utilization of the family income have been made in recent years. The principal items of the family budget are (1) food, (2) clothing, (3) rent or shelter, (4) utilities (fuel and light, and the like), (5) house furnishings, (6) education, (7) medical service and supplies, (8) other expenses, and (9) savings, including life insurance. A minimum supply of certain basic budget items is required by each family with little regard for the price at the time. Thus, the demand of certain items, such as food and clothing, is inelastic. As their cost from time to time varies between a relatively larger and a relatively smaller part of the total family budget, a proportionately smaller part or larger part of the family's income is left to be expended on certain other items which enjoy an elastic demand, such as recreation, education, and savings. The relative changes in certain budget items, computed by the United States Bureau of Labor Statistics, have been marked, at times becoming dispersed, especially during periods of the business cycle when prices of most products are either rising or falling rapidly. The possibility of a substantial gain in pur-

10. See figures presented in Table 35 following.

CHART 15
EXPENDITURES OF INCOMES AMONG ITEMS OF THE BUDGETS
OF REPRESENTATIVE CALIFORNIA FAMILIES

IN PERCENTAGES



SOURCE: Paul A. Dodd and E. F. Penrose, *Economic Aspects of Medical Services*, Washington, Graphic Arts Press, 1939, p. 148, Table 60.

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chasing power of basic commodities existed for the lower wage-earning group when, by 1933, the Great Depression had carried the costs of certain basic budget items (notably food, rent, and clothing) downward more rapidly than were the costs of utilities and miscellaneous items. This tended to leave relatively more of the wage earner's purchasing power to be spent on goods and services above a level of bare subsistence, *provided* he was still employed and that his real earnings were at least not lower than previously.

The relative importance of the various budget items within any given period of time depends upon the size of family income and size of community in which the family resides. As the family income increases, quite obviously less is needed for bare necessities, and more is available for the purchase of automobiles, radios, better furniture, longer vacations, and the like. The same is true of families living in the medium-sized cities close to extensive agricultural regions where food produced nearby is available in large quantities at low distributive costs and hence at favorable prices. The extent of the influence of family income and community size upon the relative importance of major budget items of 1249 California families who were maintaining a family budget when interviewed during the state-wide California Medical Economic Survey (1934-1935) is shown in Table 32. Among all families included in this survey, regardless of income and place of residence, food accounted for approximately 24 per cent of total family expenditures, clothing 10 per cent, rent (excluding house maintenance, furnishings, and so on) 15 per cent, utilities 6 per cent, savings (including insurance) 20 per cent, medical costs 4 per cent, education 3 per cent, and all other items not accounted for elsewhere, 19 per cent.

Other studies have shown that there exists a great variation in the relative importance attached to family budget items by families who are receiving relatively the same dollar incomes but who are engaged in different occupations and professions. Tables 33 and 34 present a brief comparison of the expenditures of certain professional and occupational workers within two broad groups. Care must be exercised in drawing conclusions from these data because of an unavoidable spread in time with consequent changes in living costs. Within the

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TABLE 32

RELATIVE IMPORTANCE OF MEDICAL PAYMENTS AMONG 1249 CALIFORNIA FAMILIES MAINTAINING A FAMILY BUDGET

(Percentages based on reports from all families out of a total sample of 10,332 who stated that a budget was being followed at time of family interview between October 1, 1934 and February 1, 1935.)

1933 Net Family Income	According to 1933 Net Family Income									
	Num- ber in Sam- ple	Total Budget Items	Food	Cloth- ing	Rent	Utili- ties	Sav- ings	Edu- ca- tion	Medi- cal Pay- ments	Other
All incomes	1,249	100.0	24.0	9.6	14.7	5.9	20.4	2.9	3.8	18.7
0 to \$ 499 . . .	112	100.0	36.1	7.0	22.2	7.5	7.7	1.3	6.6	11.6
\$500 to 999 . . .	240	100.0	35.8	8.5	20.7	7.6	10.0	1.4	4.1	11.9
1,000 to 1,999 . . .	155	100.0	32.2	9.5	17.9	7.2	12.3	2.7	3.4	14.8
1,200 to 1,499 . . .	150	100.0	29.9	10.1	16.0	6.7	15.5	2.4	4.9	14.5
1,500 to 1,999 . . .	200	100.0	27.3	9.3	16.7	6.2	18.5	2.0	3.6	16.4
2,000 to 2,499 . . .	146	100.0	23.6	9.4	13.5	5.9	20.0	3.1	4.8	19.7
2,500 to 2,999 . . .	80	100.0	21.6	10.0	15.5	6.0	23.6	2.9	3.8	16.6
3,000 to 4,999 . . .	103	100.0	18.2	10.7	12.7	5.2	24.4	3.6	3.6	21.6
5,000 to 9,999 . . .	51	100.0	16.3	10.7	9.6	5.0	27.5	5.2	2.5	23.2
10,000 and over . . .	12	100.0	9.6	7.2	8.7	3.1	35.1	2.1	1.9	32.3
Size of Community										
According to Size of Community										
All communities . . .	1,249	100.0	24.0	9.6	14.7	5.9	20.4	2.9	3.8	18.7
Under 5,000 . . .	181	100.0	25.5	8.5	12.4	6.9	18.6	2.7	3.1	22.3
5,000 to 49,999 . . .	301	100.0	24.2	9.8	13.0	5.8	19.0	2.5	4.3	21.4
50,000 to 99,999 . . .	188	100.0	23.3	11.1	14.1	6.4	21.1	4.1	4.1	15.8
100,000 to 999,999 . . .	300	100.0	22.1	9.9	16.6	5.5	21.6	2.7	3.8	17.8
1,000,000 and over . . .	276	100.0	25.8	8.5	15.6	5.7	20.9	2.9	3.2	17.4
Community unknown . . .	3	100.0	21.9	5.5	18.5	3.5	34.4	2.5	0.9	12.8

SOURCE: Dodd and Penrose, *op. cit.*, p. 149, Table 61. Reproduced by permission of the publishers.

lower income groups it appears that different values are emphasized by the doctors and dentists, who economize upon the expenditure for foods in order to have more of the family income available for savings or for other uses, probably travel, study, or professional improvement. This observation seems reasonable in spite of the easing up on the family budget of expenditures for necessities because of the reduction in food costs between 1924-1930, when budget studies for other occupational groups were made, and 1934 when the doctors' and dentists'

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TABLE 33
PERCENTAGE BUDGET EXPENDITURES OF TYPICAL GROUPS OF
FAMILIES WITH TOTAL EXPENDITURES RANGING FROM
\$1700 TO \$2100

Expenditure	Average Percentage of Annual Expenditures					
	333 Dentists with less than \$3,000 Net Prof. Income, 1934	438 Physicians with less than \$3,000 Net Prof. Income, 1934	40 Maintenance of Way Employees in 10 States 1928	23 Street Car Men San Francisco 1924-1925	141 Federal Government Employees in Five Cities 1927-1928	27 Urban Families in Five States 1930
Food	24.1	23.6	37.3	41.4	36.8	36.7
Home maintenance (rent and utilities)	27.1	30.7	26.3	29.6	35.8	33.7
Attire	9.9	11.5	14.1	13.0	14.2	10.5
Other living	29.5	28.9	17.0	19.2	17.5	14.6
Savings	9.4	5.3	5.3	- 3.2	- 4.3	4.5
Total Per Cent	100.0	100.0	100.0	100.0	100.0	100.0
Total Amount	\$2,103	\$2,083	\$1,900	\$1,889	\$1,835	\$1,729

SOURCE: Dodd and Penrose, *op. cit.*, p. 259. Reproduced by permission of the publishers.

budget studies were made.¹¹ Somewhat similar differences in living standards are suggested by the data covering groups with incomes ranging from \$4300 to \$5900 (Table 34).

THE STANDARD OF LIVING. The preceding discussion of wealth, income, and wages suggests the impossibility of understanding intelligently the problem of adequate wages without a similarly intelligent understanding of the standard of living. In its broadest sense the term "standard of living" refers to the quantities and qualities of food, shelter, clothing, and miscellaneous commodities and services that an individual or group deems necessary to desirable human experience. Obviously there is no such thing as an absolute standard of living that is universally the same for all countries or for all classes within a given country, or that remains unchanged for any one class. Both in its

11. This analysis, of course, should be modified further to allow for the extent to which the groups are not representative of all workers within their respective classifications.

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TABLE 34

PERCENTAGE BUDGET EXPENDITURES OF TYPICAL GROUPS OF
FAMILIES WITH TOTAL EXPENDITURES RANGING FROM
\$4300 TO \$5900

Expenditure	Average Percentage of Annual Expenditures					
	27 Calif. Dentists, \$6,000 to \$8,999 Net Prof. Income, 1934	70 Calif. Physicians, \$6,000 to \$8,999 Net Prof. Income, 1933	30 University Faculty Berkeley 1922	34 Apartment Residents New York City 1930	32 Government Employees and Urban in Five Cities 1927-1928	26 Village and Urban Residents Minnesota 1926-1928
Food	13.1	17.5	18.1	27.2	27.6	11.1
Home maintenance (rent and utilities)	15.4	25.1	28.0	32.1	27.0	21.3
Attire	9.2	10.8	10.6	13.7	13.0	9.1
Other living	38.9	39.5	36.5	22.7	22.8	21.2
Savings	23.4	7.1	6.8	4.3	9.6	37.3
Total Per Cent	100.0	100.0	100.0	100.0	100.0	100.0
Total Amount	\$5,899	\$5,352	\$5,219	\$4,955	\$4,320	\$5,282

SOURCE: Dodd and Penrose, *op. cit.*, p. 260. Reproduced by permission of the publishers.

quantitative and in its qualitative elements the standard of living is relative—relative as to time, persons, and place.

The standard of living is, moreover, quite likely to be progressive, advancing to higher levels as the individual or group acquires new tastes and develops new desires. This is especially true in an acquisitive society such as ours, in which persuasive salesmanship and exaggerated advertising are harnessed in high-pressure technique to induce people to purchase many things that are not essential parts of their customary standard of living, and in which installment buying is promoted to encourage purchase in anticipation of income. Perhaps this encouragement of new tastes and desires may be accepted as one of the legitimate functions of advertising and salesmanship, since it tends to elevate the standard of living.

One's standard of living, however, must ultimately depend upon one's income. This is as true for the working class as it is for any other group in human society. It is, moreover, often an important factor in industrial unrest, and it explains why the wage question often

appears more vital and pressing than the problem of unemployment. If wages were adequate in periods of normal business activity, the worker could, if he desired, safeguard himself to a certain extent against the loss of employment in periods of depression. In the final analysis the worker's general well-being depends upon two sets of forces: his money wage and the prices of the commodities and services he wishes to buy with the contents of his pay envelope. When the price level rises to a point that precludes the maintenance of the customary standard of living or prevents the acquisition of new kinds of commodities and services deemed essential to the full enjoyment of life, discontent appears and there is a demand for higher wages.

The standard of living, it must be remembered, is only partly determined by the individual. In so far as he consciously decides to acquire new and larger satisfactions, the individual is in a sense responsible for his own standard. Even his tastes and desires, however, are often largely influenced by the behavior of his group, which he consciously or unconsciously imitates. Thus in the long run his standard of living is determined by social and economic forces that are quite beyond his control. The ideals of the group, the income of those responsible for the support of the family, and the general level of prices are fundamental determinants. Through the exercise of frugality, individuals and families may meet the exigency of higher prices, but usually not without sacrificing established standards of consumption. Through effective collective bargaining a readjustment of wages to meet changes in the cost of living is often possible. Prices, however, are not so obviously within the control of the individual.

The standard of living of any class ordinarily reflects the general well-being that exists within that class. Investigations of family budgets in the United States have resulted in a broad classification of standards, all of which are determined for the most part by the prevailing levels of income. The approximate estimated expenditures in current dollars required to maintain various standards of living, together with the estimated proportionate number of the present population of the United States within each group, are presented in Table 35.

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TABLE 35

APPROXIMATE EXPENDITURES REQUIRED TO MAINTAIN
AMERICAN STANDARDS OF LIVING, TOGETHER WITH
THE PERCENTAGE OF TOTAL POPULATION
FALLING WITHIN EACH GROUP
(in 1929 dollars)

Standards of Living	Estimated Amount Required for					Percent- age of Total Pop- ulation
	Indi- vidual	Man and Wife	Man, Wife and 1 Child	Man, Wife and 2 Children	Man, Wife and 3 Children	
(1) Poverty						9
(2) Minimum of subsistence	\$ 600	\$ 900	\$1,200	\$ 1,500	\$ 1,800	10
(3) Minimum of health and efficiency	800	1,200	1,500	1,800	2,100	17
(4) Minimum of comfort (decency)	1,000	1,500	1,800	2,100	2,400	25
(5) Comfort	1,200	1,800	2,200	2,600	3,000	16
(6) Moderate	1,800	2,700	3,200	3,700	4,200	13
(7) Well-to-do	3,000	4,500	5,500	6,500	7,500	8
(8) Liberal	5,000	7,500	8,700	10,000	12,000	2

SOURCE: Adapted from Paul H. Nystrom, *Economic Principles of Consumption*, New York, Ronald Press, 1929, p. 302, and *The New York Times*, Nov. 4, 1929.

1. *The Poverty Standard.* This is represented by a level of income totally inadequate for proper physical upkeep of a family of moderate size, even with the practice of frugality and the wisest expenditure of income. The family is scarcely able to avoid the necessity of requesting aid from charitable institutions. If it is able to avoid this appeal it is usually by living on a level that endangers physical vitality through undernourishment, forces the family to live under congested conditions, involves the rapid accumulation of indebtedness during unemployment, and contains the ever-present potentiality of pauperism. Sickness or any other emergency that increases expenditure invariably throws such a family upon relief.

2. *The Minimum of Subsistence Standard.* Here the income is usually adequate to assure the maintenance of physical vigor on a level that enables the laborer and his family to meet, within the barest limits,

the requirements of daily work. Even this standard is often characterized as a "mere animal existence." It does not permit the financing of additional expenditures that arise out of emergencies nor does it provide the comforts, pleasures, and enjoyments that are commonly associated with human beings in a civilized community. The home and its equipment are meager, seldom exceeding three or four rooms, except where there is resort to the keeping of boarders. Social pleasures are simple and limited and are enjoyed only by sacrificing basic necessities.

3. *The Minimum of Health and Efficiency Standard.* This indicates a standard somewhat above mere animal subsistence. The income provides not only the material necessities of food, shelter, and clothing but also a measure of the desirable comforts of life. Among these added comforts are clothing in amounts sufficient not merely to guarantee physical well-being but to provide satisfaction of the desire for self-respect and decency; some insurance to cover such hazards as fire, disability, and death; a fair education for the children of the family; a modicum of amusement; and some expenditure for self-development. The family often lives in a five-room house or flat in a respectable neighborhood and is not compelled to sacrifice the basic requirements of nourishment in order to have reasonable social pleasures.

4. *The Minimum of Comfort and Decency Standard.* This standard, which was defined several years ago by the United States Bureau of Labor Statistics, provides a reasonable degree of comfort, respect, and human development. Expenditures for food are probably not much, if any, greater than under the standard of health and efficiency, but there are larger expenditures for rent, clothing, and miscellaneous comforts. There is more adequate provision for such items as insurance, education, vacations, amusements, and equipment and decoration of the home. Quite often some of the income is saved. This is sometimes suggested as the immediate ideal for the wage-earning class; it is probably reached by less than one-fourth of the American people.

5-8. *The Comfort, Moderate, Well-to-Do, and Liberal Standards.* Beyond the minimum standard of comfort and decency, which may be

taken as a minimum goal for all the people of the nation, there are to be found other standards. These are individually distinguished mainly through the increasing amounts of goods and services that each family finds it possible to obtain and enjoy above those needed to support minimum standards of life. The maintenance of the *moderate standard* necessitates an income equivalent to the purchasing power of \$1,800 in 1929 for a single person; for a worker with a family of three dependents it would mean the equivalent of \$3000 in 1929 dollars. Only about one family in seven, on the average, enjoys this standard of living. The well-to-do and really liberal standards, available to individuals and families with incomes of \$3000 and \$5500 or more, respectively, afford the highest standards in America and are enjoyed by not many more than one out of every ten families throughout the nation. These data, rough estimates though they are, show clearly how far short of the ideal minimum standards many of the workers of the nation fall, in spite of the fact that real earnings are higher in the United States than they are anywhere else in the world. There is still much to be accomplished, even in this country.

ADJUSTMENT OF WAGES TO THE COST OF LIVING. Protection of the standard of living, then, is as vital a matter to the wage-earning class as it is to any other class in human society. Defense of the prevailing standard or the achievement of an improved one is accepted everywhere as the fundamental function of trade unionism. The purposes of unionism are crystallized in organized resistance to any changes that are likely to result in degradation of the workers as a class.¹² The maintenance of the standard of living, as well as its progressive improvement, depends, as we have seen, not on what the workers receive in nominal income but upon what they get in real income, that is, what money income will purchase in terms of goods and services. The cost of living is, therefore, an important consideration. In periods of price inflation wages are inclined to lag behind prices, and although they may also lag in periods of price deflation there is likely to be

12. Sidney and Beatrice Webb, *History of Trade Unionism* (New York, Longmans, Green, 1920), p. 20.

precipitous decline in wage scales at such times, especially for unskilled and unorganized workers.

It would be difficult to overestimate the importance of an unstabilized currency to the wage-earning class, since fluctuations in the purchasing power of the dollar may completely destroy the customary standard of life. The dollar's lack of stability is clearly illustrated in the recent trend of prices. If we take the year 1923 as the base of measurement, we find that the purchasing power of the dollar was \$1.65 in 1914 and \$1.30 in 1917; that it dropped to only 86 cents in 1920 but was up again in April, 1933, to \$1.42 and stood at about \$1.30 in September, 1938. It required about \$1.70 in 1929 to purchase the same amount of commodities and services that could be bought for \$1.00 in 1913, which meant that a workman who earned \$1000 in 1913 would have had to receive \$1700 in 1929 to maintain the same standard of living.

Recognition of this disturbing discrepancy between wages and prices has resulted in numerous attempts to adjust wage scales to changes in the cost of living. The various studies that have been made of working-class budgets and the increasing use of price and wage indices are an outgrowth of this movement. Elsewhere we have described several of the "sliding scale" plans of wage payment adopted in the United States during the recovery years following the Great Depression of 1930-1935.¹³ But the number of employees whose wages are adjusted to changes in the cost of living is still low.

An analysis of working-class family budgets is a basic requirement in any plan to adjust wages to the cost of living. This involves the determination of the amounts and qualities of goods and services that are essential for the maintenance of health, comfort, and decency. It involves the further determination of the general price level for the time and community in which the budget is being prepared. Not infrequently a standard family of five—husband, wife, and three minor children—has been used as a basis for wage adjustments. This practice has been justly criticized as unsound, since available information

13. Gordon S. Watkins and Paul A. Dodd, *The Management of Labor Relations* (New York, McGraw-Hill, 1938), pp. 352-5.

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suggests that a relatively small percentage of the working class as a whole have such a family to support. "In England not more than 10 per cent of the workers and possibly even less have such families. In the United States such evidence as is available indicates that probably not more than 12 per cent of the workers have such a family."¹⁴

There is experiential basis for the belief that the adjustment of wages to the cost of living has marked advantages. Where such procedure is adopted and applied intelligently, it increases the workers' faith in the watchfulness of management in matters affecting their vital interests. Cost of living data promote the amicable settlement of industrial disputes and pave the way for the application of scientific principles to the administration of human relations and other factors in production. Endless debate, based upon unwarranted generalizations, is the net result of the absence of reliable statistical information. Cost of living and budgetary studies provide a basis for accurate judgment. The additional pay roll burden caused by wage advances is often more than counterbalanced by the increased good will and co-operation that result in greater economy and efficiency.¹⁵

In spite of these advantages difficulties have been met in attempting to adjust wage rates to the cost of living. In the first place, the question arises as to what constitutes a living wage. There is no general agreement on this point. In wage arbitrations, however, there is increasing recognition of the conception that a living wage is not merely a subsistence payment, but an income sufficient to provide the minimum of physical needs of food, clothing, and shelter and a reasonable measure of health, recreation, and education. Many have added that such a wage should also contain a surplus gain that will make possible a certain amount of saving; that is, it should be a "saving wage." Under price fluctuations the wage requirement will probably vary so greatly that no fixed amount in dollars and cents can be designated as a "living wage"

14. Paul H. Douglas, "Is the Family of Five Typical?" *Journal of the American Statistical Association*, vol. xix, September, 1924, p. 326. For a careful and complete analysis of this whole subject the student is referred to Professor Douglas' *Wages and the Family*.

15. See *Bulletin of the Taylor Society*, New York, October, 1919, pp. 29-46.

The Problems

appropriate for all times and places. One must also recognize that one of the real limiting factors to the payment of a living or saving wage is the efficiency and productivity of the organization or industry.

Another difficulty develops from the use of family budgets as a basis for determining wage rates. All standards of living formulated thus far prescribe a minimum level below which income and expenditures cannot fall without sacrificing essentials but above which they may rise in the interest of health, comfort, and decency. Those who believe that such a minimum is the legitimate right of the wage-earning class insist that the workers are perfectly justified in compelling acceptance of the desired standard and that an industry which cannot provide it may justly be scrapped as socially parasitic. Resistance to wage cuts that threaten this standard is accepted as ethical and just. One may sympathize sincerely with such an attitude and yet in the interest of practicality be compelled to admit that it is extremely difficult to enforce a minimum standard concerning which there is no general agreement.

It is a pertinent query whether, in the present unsettled state of the science of psychology, we know sufficient about human desires and needs to classify and standardize them into arbitrary categories. What is an "adequate wage"? What is the size of the family unit that should be accepted in determining such a wage? The human equation is admittedly hard to comprehend and contains a variable (desires) that does not lend itself to positive measurement. Nevertheless, the quantitative budgets that have been made by such agencies as the United States Bureau of Labor Statistics provide an increasingly reliable basis of determination.¹⁶ These, together with the accumulating data for measuring the ratio between actual wage payments and the cost of living in different localities, which government research and other agencies are making available, may soon enable us to adjust wage scales on an intelligent basis. In all probability a smaller unit than the standard family of five will have to be used for the United States. Each wage case will have to be decided on its own merits, and

16. See especially the *Tabular Summary; Urban Study of Consumer Purchases* prepared by the U. S. Bureau of Labor Statistics as a Preliminary Report under date of June 15, 1938.

such factors as custom, price, marital status, and the productivity of the plant or industry will have to be recognized.¹⁷ Data must be accurate and the price and wage index must be reliable.

The opposition of organized labor must be recognized as an important factor limiting the use of cost of living data as a basis for wage adjustments. The executive committee of the American Federation of Labor, for example, in a meeting at Atlantic City, New Jersey, as early as August, 1921, went on record as favoring the abolition of wage determinations solely on the basis of the cost of living. The substance of the objection was that the labor movement believes in the progressive improvement of the worker's standard of living, and that the practice of fixing wage rates according to the changes in the cost of living is likely to prove a contravention of the principle of progress. It was feared, moreover, that such procedure would lead to the classification of human beings and the standardization of classes, each group or class in human society being accorded a presumptive right to a given quantity of commodities and services, no more and no less, regardless of its contribution to industry. This principle of progressive improvement in the worker's standard of life should encourage organized labor to take an interest in the management of industry with a view to obtaining both the proper direction of productive effort and a more equitable distribution of the net product.

Such objections do not invalidate the basic principle and practice of adjusting wages to the cost of living in order to assure a living wage. Rather do they imply the existence of a more or less definite minimum below which wages must not fall and the denial of fixed limits above which the working class should not be prevented from going in its desire for greater material well-being. Once the principle of a progressive standard of life is recognized, the opposition of trade unions tends to disappear. In all probability, organized labor fears the logical application of the doctrine of wage adjustments according to variations in the cost of living because the doctrine implies that wages that have risen

17. Professor Paul H. Douglas suggests that the basis of wage determination should be the needs of the worker and his family. See his *Wages and the Family*, chap. iv, for the specific proposal which he advances.

with a rising cost of living should fall with its decline. Acceptance by the workers of the belief that wages must advance with increases in the cost of living does not necessarily mean acceptance of the logical corollary that wages should be reduced proportionately as the price level descends in periods of business recession. Whether this position is inexcusably inconsistent depends upon the movement of real wages and the extent to which labor has shared equitably in the prosperity of industry.

Questions for Class Discussion

1. What is an "adequate" wage? Is it a fair wage? To whom is it fair? To the worker? To the employer? Always?
2. How do you account for the fairly steady rise (with but a few exceptions) in real wages among American workers since the days of the Civil War? Why did real wages fail to increase substantially prior to that time? How long may they be expected to increase in the future?
3. If we may anticipate an actual decrease in production costs and prices during the next generation, does it follow necessarily that real wage levels and living standards are bound to increase?
4. How important are international economic and political affairs in helping to shape the trend of real wages within any given country?
5. Why are wage levels lower in the southern and middle western parts of the country than they are in most other sections? In establishing minimum wage and maximum hour standards for the nation should lower wage differentials be granted to some parts than to others? What would be the effect of the establishment of a uniform minimum wage of 50 cents per hour upon all American industries alike, regardless of the type and location of the industry?
6. Does the income of a family determine the family's spending habits? To what extent, and because of what recent developments in the field of financing, are other factors of importance in family budgets and expenditures?
7. What is meant by "the American standard of living"? Is there actually but one standard in this country? Is there but one standard in France? Canada? Germany? Russia? Italy? Japan? China? India?
8. If the total national income of the nation were to be shared equally among all families in the United States, what standard of living would become the standard in America? Would such be desirable?

9. How much would a man have had to be earning in money wages in 1918 to have had the same purchasing power that wages of \$1000 had in 1913? How much would he have had to be earning in 1923 to have equalled (in purchasing power) his 1913 income of \$1000? In 1929? In 1933? In 1937? In 1940? Today?

10. What, to your mind, would be the result to labor of the inauguration of a policy of granting to labor an "annual wage" which would be paid regardless of the length of employment of the laborer during the year? How would such a wage system affect the employer? Would it tend to make possible relatively higher standards of living? How might such a system be inaugurated, or is it possible?

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Chapter 10

THE DETERMINATION OF WAGES

¶ THE WAGE SYSTEM. The problem of a living wage, discussed in the preceding chapter, cannot be approached intelligently without careful consideration of the nature of wages, their place in the scheme of production and distribution, and the factors and forces that determine the rate of wages. Only by such an examination can we discover whether wages are determined by natural law that is beyond the control of mankind or are subject to arbitrary manipulation by employers, employees, and the state.

As ordinarily defined, wages consist of the income that a man receives in exchange for his labor. Such a definition, however, is too comprehensive, since one might readily think of capitalists, landlords, and business enterprises as receiving an income for their labor, either intellectual or physical. Wages are the share in distribution assigned to the laborers in return for their efforts in production, as distinguished from rent, interest, and profits, which are the shares assigned to land, capital, and the business enterpriser, respectively.

The term wages is applicable, not to every method of remuneration of labor, but only to a "special mode known as *the price of labor hired and employed by an entrepreneur. . .*"¹ This definition implies clearly that in modern industrial society there is a laboring class which is generally differentiated from professional men and salaried employees, who also are wage earners in the general economic sense. What may be designated as the laboring class proper includes the great mass of skilled, semiskilled, and unskilled laborers—factory hands, ag-

1. Charles Gide, *Political Economy*, translated from 3rd rev. ed. (D. C. Heath, 1913), p. 572.

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gricultural workers, mercantile clerks, and employees in other occupations who sell their labor for wages.

The wage system is inseparable from modern industrialism with its individualistic or semi-individualistic character. Whether wages represent the ideal method of industrial remuneration and the wage system constitutes the final stage in the development of that remuneration is at least a debatable question. At any rate, the wage system is different from the preceding systems of employment and is today the dominant method of industrial compensation. In a state of primitive economy the laborer directs his own labor and becomes the sole owner of his product; under slavery the master owns and directs the laborer and his labor and has complete ownership and control of the product; under the wage system the employer purchases labor offered for sale by the laborer, pays a specific price for the labor, and secures complete ownership and control of the product. Thus the wage system is a relatively new method of industrial remuneration; a method, as Professor Gide states, "which only becomes general with the modern capitalistic organization of industry, and may possibly disappear along with it."²

THE PROBLEM OF DISTRIBUTION IN RELATION TO LABOR. It is often said that we have measurably solved the problem of wealth production. A century of modern industrialism has increased the production of wealth beyond all precedent. While it may be true that mechanically the problem of wealth production has been solved, there are human elements in production which are only just beginning to command attention. Until the specific problems associated with the human factor in industry have been solved there can be no solution of the general problem of production. Nevertheless, the majority of problems that command the attention of social analysts today deal directly or indirectly with the distribution of the product of industry. Social well-being and progress depend upon the proper solution of this problem.

Economic reformers are constantly asking why it is that so much poverty exists in the midst of so much wealth and national prosperity. Why is there scarcity for the many and abundance for the few? The general answer is: There is a conspicuous maladjustment in the dis-

2. *Ibid.*, pp. 572, 573.

tribution of the product of industry. The national dividend is not distributed equitably. The problem of distribution, therefore, necessarily consists in ascertaining the causes of inequality in the division of the product of industry and in formulating an efficient remedy for maldistribution. For over a century economists have tried to discover the fundamental determinants of the shares which the factors in production—land, labor, capital, and the entrepreneur—receive in distribution of the product. It is not within the province of this discussion to analyze the general problem of distribution; our concern is primarily with the determination of the price of labor, or wages. A résumé of wage theories will help us to analyze the nature of these determinants and to test the validity of the basic assumptions and conclusions that have influenced wage-payment practices.

THE COST OF SUBSISTENCE THEORY. The fundamental postulate of the first important theory of wages was that the income of labor was determined by the cost of subsistence of the laborers. The basis of this theory is the fact that under the wage system labor power is a commodity bought and sold on the market. Workers offer their labor for sale; employers purchase this labor. The sole determinant of the value of labor is the cost of commodities on which the laborers subsist. The cost of producing the labor supply will depend upon two factors: the price of all the commodities and services that the laborer must have in order to maintain his productive power, and the amount necessary to maintain the labor supply, that is, to replace worn-out laborers, which is measured by the actual cost of rearing a child to adult age.

Labor, like all other salable commodities, has its *natural price* and its *market price*.³ "The natural price of labor is that price which is necessary to enable laborers, one with another, to subsist and perpetuate their race, without either increase or diminution,"⁴ said David Ricardo, with whose name the origin of the theory is associated. The natural price of labor, therefore, depends upon the cost of subsistence. The market price of labor is the price that is actually paid for it as a result

3. David Ricardo, *Principles of Political Economy and Taxation* (London, John Murray, 1817), p. 90.

4. *Ibid.*

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of the operation of the forces of supply and demand. The market price will be high when labor is scarce and low when labor is abundant. The market price of labor, like the market price of any other commodity, tends to conform to the normal price—the cost of production. Whenever the market price of labor exceeds the natural or normal price, the worker enjoys prosperity because of increased wages. But high wages serve merely to enhance the supply of labor through an increase in the population and consequently affect the position of the worker adversely. Here, however, natural law rescues the worker from continued wretchedness and poverty. The lack of necessities resulting from low wages automatically diminishes the population and, consequently, the labor supply. The return to a normal wage takes place as the labor supply falls off. An increase in the demand for labor may force a similar adjustment.

The worker is crushed between high prices on the one hand and low wages on the other. The reproductive instinct operates continually to increase the population, thus enhancing the labor supply; and the law of diminishing returns operates always to force a continuous rise in commodity prices. The advocates of the subsistence theory contended that the conditions of the laboring poor, supposing their habits to remain the same, cannot be very essentially improved except by giving them a greater command over the means of subsistence. But an advantage of this kind must from its very nature be temporary, and it is therefore really of less value to them than a permanent change in their habits.

Said Ricardo: ⁵ "When . . . by the encouragement which high wages give to the increase of population, the number of laborers is increased, wages again fall to their natural price, and indeed from a reaction sometimes fall below it." Economic organization of the workers will avail nothing; the wages of labor are governed by an inexorable law that reduces the worker's income to the level of the minimum cost of subsistence. "Like all other contracts, wages should be left to the fair and free competition of the market, and should never be controlled by the interference of the legislature." ⁶ Unfortunately, however, com-

5. *Ibid.*, p. 92.

6. *Ibid.*, p. 110.

petition in the labor market is neither so fair nor so free as Ricardo was wont to visualize it. It is not surprising that Lasalle characterized this theory as "The Iron Law of Wages." Under the operation of such a law the condition of the working classes would be irretrievably hopeless.

Such a theory of wages is obviously untenable. It has been justly criticized as being mainly a theory of the supply price of labor, neglecting almost entirely the possibility of a demand price. Even as a theory of the supply price of labor it is not adequate. The supply price of labor is not determined solely by the cost of bare subsistence. The cost of subsistence is not a minimum below which the wages of labor cannot fall, nor is it a maximum above which the level of wages may not rise. Ricardo recognized this, but did not admit that wages might remain indefinitely above the level of bare subsistence.

The cost of subsistence is not a definitely measurable concept. The standard of subsistence is not a fixed but an elastic thing. This theory of wages is based upon the assumption that labor is a commodity having all the characteristics of other commodities that are bought and sold on the market, yet the theory makes practically no allowance for the demand price of labor. Not only is labor not a commodity, but it has both a demand price and a supply price, each of which is characterized by variation. Moreover, effective labor organization is often able to raise the scale of wages above the minimum required for subsistence. On the other hand, the advantageous bargaining power of the employer may enable him to depress the scale of wages below the established level of subsistence, the wage of the laborer being supplemented by the earnings of other members of the family or from sources of public or private relief. The effective application of labor may, moreover, make it possible to pay the workers a wage considerably in excess of the amount required for bare subsistence. As a consequence of higher wages, workers will not necessarily have larger families. The reverse tendency is much more pronounced. The higher standard of living resulting from higher wages encourages small families. Population does not increase fastest at the top of the economic strata where incomes are highest, but at the bottom where incomes are lowest.

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THE WAGES FUND DOCTRINE. The cost of subsistence theory of wages was superseded by the wages fund doctrine, which states that the rate of wages depends on the proportion that exists between population and capital—supply and demand. The supply of labor consists of those who are seeking employment; demand consists of capital seeking investment in productive enterprise. Wages depend on the ratio of the laboring population to the quantity of capital—the quantity of food, raw material, machinery, and other fundamental requisites of production. If population increases without a corresponding increase in the capital fund, a decline in wages takes place; if the capital fund increases without a proportionate increase in population, wages inevitably rise. If the ratio remains constant, the wage scale will not change. "Wages, then, depend mainly upon the demand and supply of labor; or, as it is often expressed, on the proportion between population and capital. By population is here meant the number only of the laboring class, or rather those who work for hire; and by capital, only circulating capital, and not even the whole of that, but the part which is expended in the direct purchase of labor."⁷ According to the wages fund doctrine the workers cannot influence the labor market. The law of wages is as independent of them as is the law of gravitation; both are beyond their control. Economic organization, custom, legislative interference, or any other regulatory measures are impotent before this law. The only source of variation lies in increasing the wages fund by saving more capital for the employment of labor, or in the application of the Malthusian principle of limiting the population by delayed marriage and control of the birth rate.

That the wages of labor are paid out of a fund of capital is undeniable, but this fund itself is in part at least the product of labor. Critics of the wages fund doctrine have pointed out that the doctrine is untenable for a number of reasons. There is no distinct fund which is definitely apportioned for the payment of wages. Moreover, the doctrine is based upon a wrong interpretation of the nature and influence of demand and supply in the determination of the price of labor. Early

7. John Stuart Mill, *Principles of Political Economy*, Ashley Edition (London, Longmans, Green, 1909), book ii, chap. xi, p. 343.

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critics of the doctrine endeavored to prove that wage earners by effective organization can influence the rate of wages. Indeed, it was the increasing effectiveness of labor organization that totally discredited the doctrine in its original form. Later critics have shown that the circulating capital which constitutes the wages fund is itself, as already suggested, a product of labor power. The wages fund is a reservoir filled by a pump, as needs require, and this pump is labor. Also, this doctrine affords no explanation of the marked inequalities that exist in the wage scales between different trades within the same country.

The wages fund doctrine, nevertheless, contains an element of truth. There is a necessary causal relation between the quantity of capital and the wages of labor. A marked decrease in the supply of capital available for the employment of labor and other requisites of production would affect wages adversely by decreasing demand. Although the fund of capital might be restored eventually, through the efforts of labor, the immediate result of a marked decrease in the supply of capital would be a reduction in the wages of labor. The wages fund, however, is neither fixed nor measurable.

THE RESIDUAL CLAIMANT THEORY. According to this theory the wages that the laborer receives are ultimately equated to what he produces after the deduction of rent, taxes, profits, and the interest on capital. Rent, interest, and profits are determined by definite laws, but wages constitute a more or less indeterminate share of the social product. Professor Francis A. Walker, the author of this theory, stated: "These three shares being cut off the product of industry, the whole remaining body of wealth, daily or annually created, is the property of the laboring class; their wages, or the remuneration of their services."⁸ Thus the wage earner is the residual or last claimant, and is forced to wait until all other shares in distribution, including taxes, have been apportioned. The share of this product which goes to labor is residual in the sense that wages measure the quantity of the product that remains after the claims of other factors in production have been satisfied according to the determination of positive laws.

The advocates of the residual claimant theory failed to recognize

8. Francis A. Walker, *Political Economy*, 3rd rev. ed., pp. 250-1.

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that, by effective combination or because of other forces that may influence the labor market, labor, like any commodity, may possess a scarcity or monopoly value. Being the residual claimant, the workers cannot increase or decrease their share in the product of industry. Since the other shares are determined by definite laws, the wage earners have no alternative but to wait until these shares have been distributed and then take what is left. Since under our economic system the ownership and control of the product are vested in the business enterpriser, the wage earner might receive as a residual claim either more or less than he anticipated.

There is no justification for describing the laborer as the residual claimant. The sale of the product and the receipts from that sale are controlled by the enterpriser who must apportion shares to the other agents in production prior to the satisfaction of his own claim. The enterpriser's share is more truly residual; he must take what is left after paying all expenses of production. Moreover, labor frequently receives its share long before the product is disposed of and often before the other shares have been paid.

NORMAL VALUE OR EXCHANGE THEORY. The main contention of this theory is that normal wages contain a surplus above the mere cost of subsistence, that social progress is dependent upon the existence of a surplus in normal wages in excess of the amount required to maintain the prevailing standard of living. To this surplus the name "gain of labor" is given. Normal wages in a progressive society must contain a surplus that compensates the laborer for abstinence or postponement of consumption. A conflict develops between the time needed to produce goods and the time required to consume goods. The worker balances the pleasure of consumption against the pain or disutility of production. To forego the pleasure incident to the consumption of goods that he already possesses, the worker must be offered some inducement, that is, a surplus gain.

Advocates of the exchange theory claim that it is possible to develop an abstinence theory of wages similar to the abstinence theory of interest. The marginal saver will not endure the disutility of abstinence unless he is assured a corresponding surplus in his future product. In

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other words, the disutility involved in saving must be compensated by surplus income. The same is true of labor. Special laborers may receive more or less than normal wages, but all labor that is free to move must receive at least a normal wage. In order to secure a surplus, the hours of employment are prolonged beyond the point sufficient to guarantee the accepted standard. Normal value arises when marginal utility and marginal disutility are equal. Surplus value is a product of time. The workers exchange present services for future goods. Time required for the application of the worker's power may interfere with time required for consumption of present goods, thus causing abstinence. For this postponement of consumption labor receives a surplus gain. The normal value theory is applicable only to a dynamic industrial order, since no surplus gain can emerge in a static society. Normal value can be definitely determined in a progressing society, and normal wages must include a gain equal to abstinence on the part of the laborer.⁹ Market wages are incapable of exact determination.

Normal value theorists, then, seek to account for a surplus in wages above the necessary cost of subsistence and to demonstrate that in a dynamic society both capital and labor must secure a surplus above the cost of maintenance. They admit that in such a society many do not secure any surplus or gain of labor, but this does not, in their opinion, invalidate the law. The necessary condition is mobility of labor, and the loss of mobility may mean loss of gain or surplus.

Like the old cost of subsistence theory, from which it is a derivation, the normal value or exchange theory emphasizes the element of labor supply to the exclusion of the element of labor demand as the ultimate determinant of wages. In common with other important theories, it assumes a condition of free mobility of labor as the fundamental condition of the law of wages. No such condition exists in the present industrial system. Moreover, it is as difficult to measure the abstinence of the marginal laborer as it is to determine his specific product. The practical value of such a theory, therefore, is negligible.

THE MARGINAL PRODUCTIVITY THEORY. Among the most generally ex-

9. Charles W. Macfarlane, *Value and Distribution*, p. 303.

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pounded wage doctrines of the present, the so-called marginal productivity theory is by far the most prominent. This is especially true in the United States, where the doctrine has claimed the largest number of adherents. According to this theory the value of labor, like the value of any commodity, is determined by final utility. Each factor in production—land, labor, capital, and business ability—contributes something to the product, in return for which it receives a share of the income that the product brings on the market. "The market value of what each factor has to offer determines its share in the product. If the market value of labor is high, the laborer gets a large share; if it is low, he gets a small share."¹⁰ The fundamental determinant of wages is thus the specific product of labor. All factors contribute something to the product. A specific product is ascribed to each factor and, under conditions of perfect competition, each tends to receive a share equivalent to what it produces. As in the case of other factors, the final or marginal productivity of the workers will be the ultimate determinant of their wages. The essential element, therefore, is the marginal utility of the service that the worker renders to the enterpriser.

Let us take a specific example. Suppose an employer of ten workers considers the question of adding more men to his labor force, what will determine his decision as to the exact number to be hired? To him, it must be remembered, labor is a commodity, worth only as much as it will add to the existing output of his plant. Consequently, whether he will employ three or six additional workers will depend upon his rough calculation of their productivity. If he employs A, B, and C, but not D, E, and F, it is because he is convinced that the former three workers will add a net product that is sufficient to cover the increased expense, and is equally convinced that this would not be true of the latter three. Beyond this point he is unwilling to go because the price which consumers will pay for the additional product will not cover the wages of either the extra laborers or of himself as manager, much less yield a profit. He is, however, quite likely to increase his employment of workers up to the margin, that is, the point where the yield of the final unit of labor added will just pay the extra

10. Thomas N. Carver, *Principles of Political Economy*, p. 365.

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expense involved. This is his "demand price" for labor, and is said to be determined by the net product of the marginal worker.

Under the condition assumed—constant supply and perfect competition—the value of the goods produced by the marginal laborer determines not only the maximum that the employer can afford to give him, but also the amount given to all other workers who can take his place, that is, who are employed in the same kind of work, although they may be more productive than he is. The marginal laborer determines the wages of the group. The employer adds units of labor until he finds that the last unit applied adds to the product an amount which must be paid to the worker in order to induce him to accept the job. This individual who is just worth employing is known as the marginal worker. Under competitive conditions the laborer, like any other agent in production, tends to get what he produces, that is, what he is worth to society as a producer of wealth and income.

The theoretical and practical validity of this theory depends upon the existence of the conditions assumed and the possibility of measuring the specific product of each factor in production. The productivity theory assumes a separate productivity for each of the agents in production. Practically, it is impossible to measure a separate product assignable to any factor in production dissociated from the other factors. Critics of the productivity theory are quite agreed that the separatist treatment of productivity is futile. Production is essentially a co-operative activity; land, labor, capital, and the entrepreneur cannot be divorced from one another in the process of production. Production is co-operative in the sense that it usually requires the power of more than one factor. Even if it were possible to ascribe a separate productivity to each of these factors or to the marginal unit of any one of the factors working in conjunction with other units, the productivity could not be measured. To ascribe a specific and distinct productivity to any one factor or unit, therefore, whether marginal or otherwise, is manifestly unwarranted.

If it is impossible to measure the specific product of any factor or part of a factor in production, then it would appear equally futile to attempt to ascribe to any factor a share in the distribution of the

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product equivalent to what it produces. The best that can be done in such a dilemma is to assume that in some mysterious and indiscernible manner the forces of competition assure each factor a share equivalent to what it produces. But numerous conditions may destroy the untrammelled operation of competitive forces. It cannot be said, therefore, that the laborer gets what he produces; his share in distribution will depend upon many conditions that affect the labor market and the price of labor.

In spite of these evident weaknesses, the marginal productivity theory of wages has a considerable measure of truth in it. There is a necessary relation between the productivity of labor and the wage that labor receives, whether one thinks of productivity as applying to what labor adds qualitatively or quantitatively to the output of a given enterprise or to the market value of labor's contribution. Employers usually purchase labor as they buy other requisites of production, namely, on a business basis. This means that they will purchase it on the cheapest market and employ it only when it can be utilized profitably. Employers will not usually hire laborers who cannot at least add to the final product of the enterprise sufficient to cover the cost of employing them. In all probability they will continue to add laborers up to the point beyond which the employment of additional workers will not add to the product sufficient value to pay the wage expense involved. It would seem, therefore, that the wages of the marginal laborer, who is said to determine the level of wages for his group, will tend to approximate his productivity. In the absence of an accurate measurement of productivity, the payment is necessarily only a rough approximation.

The value of labor to the employer will, in the last analysis, depend upon the value to the consumer of the co-operatively produced product. In other words, the highest possible limit of the *demand price* of labor will be fixed by the utility of the commodity or service to those who wish to purchase it. Thus, wages are necessarily related to what may be called the desirability of labor. This is determined by the consumer's appraisal of the products or services and is measured by the price that consumers are willing to pay for these rather than go without them.

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What consumers will pay for the product or service of labor is necessarily reflected in what the employer can pay the workers in the form of wages. The employer cannot pay more than this demand price and remain solvent. It is a mistake, however, to assume that the conditions of competition are such as to compel employers to pay in wages the full amount warranted by the market price of the commodity or service. The wage cannot exceed this level, but it may be less. A prominent economist has pointed out that we have no assurance that employers *will* pay what they *can* pay. "They *can* pay the worker the value of what the worker contributes to production; they need not do so unless competition among employers for labor is at least as strong as the competition among workers for employment."¹¹

Perfect competition presupposes absolute mobility of the factors under consideration. Absolute freedom of competition and substitution prevails only in a so-called "balanced economic system." The present industrial system is characterized by no such balance. Both as a productive and as a distributive agency combination is at least as real as competition, and the indications are that combination in some form is destined to dominate the fields of production and distribution. Precluding obstructions to the operation of perfect competition, it might be true that each factor in production would be assigned what it specifically produced.

The difficulty, however, lies not only in the physical impossibility of determining and measuring this specific product, but also in the fact that obstructions do exist in the present industrial system to prevent absolute freedom of competitive forces. Certainly perfect mobility and adaptability cannot be said to characterize the status of the wage-earning class. If the individual laborer possessed sufficient economic independence to bargain freely with a number of employers or had sufficient mobility to move freely from one locality to another or from one occupation to another, he might obtain the full rate of wages warranted by his productivity. The average wage earner does not enjoy such independence or mobility. Lack of funds, the great expense in-

11. Henry Clay, *Economics for the General Reader* (London, Macmillan, 1918), p. 298.

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volved in moving himself and family, a fondness for the community in which he has lived for some time, family ties, habit, inertia, and many other factors limit both his bargaining power and his mobility.

A single worker's bargaining strength, also, is always inferior to that of the employer, and his position is constantly weakened by the tendency of the labor supply to increase disproportionately to other factors in production. The demand for goods and services that labor helps to produce may be such that the employer can pay a fairly adequate wage, but the conditions of supply may be such that the employer does not *have* to pay what he *can* pay. It is frequently possible for the employer to take advantage of the laborer's weak bargaining position. Thus the laborer may get less than he actually produces.

One must not forget that the productivity of labor is dependent to a large extent upon the organizing and directing ability of the entrepreneur and that sometimes wages are inadequate because labor is not applied up to the maximum of its effectiveness.¹² It would seem, therefore, in view of so many qualifying conditions, that we are hardly justified in saying that the wages of any group of workers conform to the productivity of the marginal laborer in that group or that workers get what they produce.

THE BARGAINING THEORY. Many believe that the only practical approach to an analysis of the forces that determine wages is through the bargaining process. At least, a plausible bargaining theory has been developed. According to the bargaining theory, employers and employees are opposed to each other as bargainers in a market where, on account of various causes, their forces are about equal.¹³ Wages are regarded as determined in a manner identical with the determination of all values, namely, by the estimate that each party to the bargain has formed concerning the value of the subject of the bargain and the comparative bargaining strength and knowledge of the bargainers. The advocates of this theory point out that the earlier wage theories erred in attempting to establish one determining principle of wages, depending upon their recognition of the supremacy of the employer or the

12. *Ibid.*, pp. 298-301.

13. John Davidson, *The Bargaining Theory of Wages*, p. 4.

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supremacy of the laborer. The bargaining theory avoids this mistake by recognizing the phenomenon of organization of employers and employees in combinations of approximately equal strength, and contends that the wages of labor will be determined between the two estimates made by employers and laborers.

What forces determine each of these two estimates? The estimate of the laborer is described as the resultant of two factors, namely, the utility of reward and the disutility of work. The estimate of the employer depends upon the gains or discounted value of the product created by the worker's efforts. Each party to the bargain seeks to gain the greatest return; the employer has a maximum, and the worker a minimum evaluation. The price of labor will be determined between these limits by the comparative bargaining strength of employers and employees. It is important to note that neither of these limits is absolutely fixed, although they are relatively so. The standard of comfort is the most important element in the laborer's estimate, but both the utility of reward and the disutility of work are subject to independent variations. Since there is less of the personal factor in the employer's estimate, his is likely to be more definite than the worker's estimate. Consequently, the maximum limit is practically fixed, and any attempt to raise wages above this limit must prove futile. Wages will approach the employer's maximum if the laborers possess exceptional bargaining power, but they will descend to the workers' minimum if the latter's bargaining power is weak. By effective organization and combination the disputed margin will in all probability go to the workers, provided the employers have not effected similar organization and combination.

The bargaining theory of wages recognizes the inequality that characterizes the bargaining process in modern industry. Bargaining power depends on knowledge of the labor market. On account of his superior knowledge and the wider opportunities he possesses to obtain information relating to the market, the employer enjoys a differential advantage in bargaining. Advocates of the bargaining theory find grounds for optimism, however, in the influence of general education, dissemination of industrial news by the press, and the publicity work of labor organizations, federations, and industrial bureaus, all of which tend

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to eliminate the superior advantage of the employer. Nevertheless, they admit that the superior advantage rests with the employer.

Another factor affecting the wage level is recognized, namely, the immobility of labor. As a rule, laborers do not enjoy absolute freedom of migration either from one job to another or from one industry to another, much less from one locality to another, so that advantage cannot always be taken of the higher wage level elsewhere, even when the workers are aware of such advantages. Every disability that characterizes the laborer has an adverse effect upon his bargaining strength and tends to force the wage down to the minimum limit. Consequently, the workers seek to minimize their disabilities by organization and collective bargaining. Disastrous competition is thus removed. The position of labor may be aided also by legal interference or by public opinion, although experience has taught the workers that reliance cannot be placed upon public opinion.

The bargaining theory of wages possesses an element of practicality that is lacking in the earlier theories. That bargaining power is a potent force in the determination of wages, few will deny. The facts of trade union experience support this conclusion. The theory is inconsistent in that it declares that between the specified maximum and minimum the wage is set by employers and employees whose bargaining strength is about equal, and then proceeds to explain the conditions that give the employer a differential advantage. Although certain forces are at work which tend to equalize the bargaining strength of employers and employees, it is still true that the bargaining status of these two industrial groups is conspicuously unequal. Moreover, while such a theory may account for wage determination in those trades and industries in which the workers and the employers are strongly organized, it does not explain the forces that determine wages in the unorganized industries, nor does it afford explanation of the differences that exist in the wage scales of organized groups in different trades and industries and in different countries. In brief, if all laborers and all employers were organized and enjoyed equal bargaining power, a bargaining theory of wages might be applicable to the present industrial system. But only a comparatively small percentage of the world's gainfully employed

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persons are organized. The theory, therefore, is not sufficiently comprehensive to be applicable generally to the present industrial order.

THE MARXIAN CONCEPT OF WAGES. Karl Marx, the founder of modern scientific socialism, was convinced that the propertied class had always lived upon the labor of the nonpropertied classes. According to Marx, labor is not merely the measure of value and the essential cause of value, but, what is far more significant, labor is the very essence of value. Commodities have value in exchange because they represent the expenditure of a certain amount of human energy. Marx did not deny the existence of utility; he recognized utility as a necessary condition of value and as the only factor to be considered in subjective value, or value in use.

The element of utility, however, does not suffice to account for objective value, or value in exchange. Every act of exchange presupposes a common element; there must be some identical relation between all commodities exchanged. This necessary identity between exchanged commodities cannot be explained in terms of utility, since utility is a heterogeneous quality differing with different commodities. A homogeneous element must be discovered before a satisfactory analysis of exchange value is possible. Marx discovered that the homogeneous element which enables one commodity to command another in exchange is the quantity of labor that each commodity contains. Value, accordingly, is nothing more or less than the quantity of crystallized human exertion that a commodity possesses, and commodities necessarily differ in value because of the different quantities of human labor that are "socially necessary to produce them."

It follows that the exchange value of the product of any particular worker's labor will be the equivalent of the number of hours required to produce that commodity. Now, under the capitalistic organization of industry, the employer possesses the right to sell the finished product or the raw product produced by labor, and usually he is able to dispose of that product at its real value or the equivalent of the number of hours spent in its production. Does the laborer receive the full value of his product? Not at all. Under modern capitalism the wages of labor are determined arbitrarily by the employer, who enjoys a superior

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advantage in bargaining, so that the laborer must accept what the capitalist-employer is willing to pay him for his labor power.

The important fact here is that the value of the commodities required for the maintenance of labor is never equivalent to the value of the product of labor in exchange. Ordinarily the laborer produces more than the value of the commodities that he consumes. Whereas it may take him twelve hours to produce a certain commodity, under modern capitalism he receives the equivalent of only six hours of labor. What the laborer gets in wages is, therefore, just barely sufficient to guarantee subsistence. Under modern capitalistic exploitation, wages ever tend to this minimum of subsistence. What becomes of the surplus value created by the laborer during the extra six hours? The capitalist appropriates this for himself. The additional hours of exertion required for the creation of this surplus value Marx calls surplus labor.

The Marxian analysis of value shows clearly that it is to the advantage of the capitalist to increase the quantity of surplus value because this augments profits. This can be accomplished by prolonging the hours of employment as much as possible or decreasing the amount necessary for the workers' subsistence. Improvement in industrial organization and operation or a decrease in the cost of living would reduce the number of hours necessary to produce the workers' sustenance. Labor might be speeded up; women, children, or cheaper labor might be employed to reduce the expense of production. Another method would be the establishment of charitable institutions to feed the workers so that their income from industry would be supplemented by social aid. The capitalist-employer, who is the purchaser of labor power, must pay the worker a wage equivalent to the value of the goods that the worker consumes while exerting his labor power, plus an amount sufficient to enable him to perpetuate his kind and maintain the labor supply.

The influence of the earlier economic doctrines, such as the cost of subsistence theory of wages, is not difficult to detect in the Marxian analysis of value and wages. It is fair to contemporary socialists to say that the theory of surplus value and surplus labor is not generally regarded as an essential part of current socialist philosophy. They still

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believe in the facts of surplus labor and surplus value, but the Marxian analysis is not regarded as a sufficient explanation of the phenomena of value and wages. The Marxian concept of value is the basis of the Marxian theory of wages. Marx's theory of value is considered untenable because it emphasizes value in exchange almost to the exclusion of value in use and insists that labor is the sole creator of wealth. In other words, it recognizes as important only the supply element in value and neglects demand as a factor in exchange value. Labor is not regarded by economists as the sole producer of wealth. Commodities may represent an enormous expenditure of human energy and yet, in the absence of an effective demand, command practically no price on the market. Not only labor, but land, capital, and the directive ability of the enterpriser are essential factors in the production of commodities. With the breakdown of the Marxian theory of value, the socialist explanation of wages likewise fails.

A GENERAL EXPLANATION OF WAGE DETERMINATION. Numerous other theories of wage determination have been advanced, but space does not permit their analysis here. Economists have yet to formulate a generally acceptable theory of wages, that is, one that will meet the requirements of sound logic and square with actual practices in industry. A theory can hardly be regarded as sound unless it can meet successfully the test of objective experience. One cannot escape the conclusion that in many instances wage theories have been pure abstractions quite divorced from the realities of industrial life. The great danger in any theory is that, regardless of its soundness, it may be used as a justification of prevailing wage practices, even when these are illegitimate and antisocial. Supposedly scientific theories are made the basis of a strong defense of the *status quo* in wage relations. This is especially true when such theories are predicated upon the alleged operation of natural laws, interference with which is said to be useless and dangerous. Considerable injury to the working class resulted from the postulates of early theories which supposedly embodied a "natural law" that tended to keep wages at the minimum of subsistence, and assumed that an increase in wages would necessarily result in an increase in the labor supply. This was sufficient to discourage any attempt on the part of the

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workers or the state to improve the status of the laboring population.

In spite of their obvious deficiencies, the foregoing theories of wages contain elements of truth which must be recognized in any explanation of wage determination. It is quite clear that there are maximum and minimum limits within which the wages of any group of gainfully employed persons will normally fall. The upper or maximum limit is set by the utility of the commodity or service to the consumer. The price (wage) of labor is thus definitely dependent upon the market price of exchangeable goods and services. The wages of labor cannot exceed the productivity of labor, whether this be measured in terms of the contribution to the product or the exchange value. Out of the market price of the commodity, moreover, must come also all the other expenses of production. In the final analysis, then, the consumer is the arbiter of the maximum level of wages; it is he who determines what the employer can pay the marginal laborer or any other laborer. Thus the utility or want-satisfying capacity of the commodity or service must be acknowledged in any attempt to fix wage scales. The *demand price* of labor is always governed by utility.

What of the *supply price* of labor? Disregarding for the moment the moral questions that invariably arise in a discussion of wages, it is quite evident that the absolute minimum limit of wages is fixed by the requirements of subsistence and maintenance of the labor supply. The wages of any group of laborers must be adequate to enable them to subsist and to reproduce their kind. An industry that does not provide such a wage cannot continue to attract laborers, and if such inadequacy is general the labor supply of the entire country will actually diminish, thus creating a scarcity of labor and enhancing the price. One can accept this concept without assenting to the contention of the old cost of subsistence theory that wages *do* actually tend to a level of subsistence. Indeed, the element of truth in all cost of subsistence theories is that the wage must be sufficient to meet the requirements of physical existence and the maintenance of the labor supply. This must be so regardless of the type of economic organization that prevails. The facts of experience show, of course, that wages tend to exceed the minimum of bare subsistence and to conform more to the accustomed standard of

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living of the group. Unemployment and other conditions, however, often force the worker's income below the level required for the maintenance of his customary standard.

Between the maximum level of utility of goods and services to the consumer and the minimum cost of subsistence, the wages of any group of workers may be fixed at various points by numerous conditioning factors such as the comparative bargaining power of the buyers (employers) and sellers (employees) of labor power, the state of the industrial arts in the country, the degree of mechanical and human efficiency achieved in the industry or individual enterprise, the mobility of labor, and the relative demand and supply of labor. Whichever party to the agreement has the greater bargaining strength will invariably obtain the greater advantage. American experience has also demonstrated that the more ingenious employers—those who organize and direct their establishments more efficiently than their competitors—can and often do pay relatively higher wages than the less efficient ones. Where workers are assured a share in the greater productivity of an industry or plant, it is to their advantage to encourage efficient production. A nation with abundant natural resources that are effectively exploited is able to pay a much higher level of wages than a nation less fortunately situated. Finally, it is an economic truism that wages will be higher when labor is relatively scarce and low when it is relatively plentiful.

THE WAGE BARGAIN. Wage standards in modern industry are inseparably related to bargaining power. Under the competitive conditions that characterize the bargaining process in most industries today, the employer has a differential advantage. We say "in most industries" advisedly, since in certain industries the workers are organized so much more efficiently than the employers that they are able to control the supply and drive an advantageous bargain. Usually, however, the balance of power rests with the employer.

The more advantageous position of the employing group arises from certain conditions. Among these are the superior knowledge and bargaining skill of the employer; the inability of the laborer to wait for a more favorable market; the intimate relation of a job to the very

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existence of the worker, which means that the laborer has more at stake than has the employer, who stands merely to lose profits; and the tendency of the bargaining power of any group of laborers to be determined by the bargaining power of its weakest members.

Other factors influencing the wage bargain are those that develop from the relative abundance or scarcity of the labor supply. Under machine processes of modern industry there is a tendency to increase, relatively and absolutely, the number of semiskilled and unskilled workers. Machine industry, with specialization of tasks, is rendering unnecessary prolonged periods of apprenticeship and is breaking down the monopoly once possessed by skilled workers. There is always an actual or a potential labor reserve which tends to intensify competition among the workers, particularly the unskilled. This actual or potential oversupply of labor weakens materially the bargaining strength of the workers and depresses the wage scale. In order to eliminate inequality of bargaining under competitive conditions, labor organizations emerge to stop competition between workers and substitute collective for individual bargaining. Since collective bargaining is still the exception and individual bargaining the rule, the majority of workers continue to make the wage bargain under the unequal and disastrous conditions of competition.

PECULIAR CHARACTERISTICS OF THE LABOR SUPPLY. In almost all of the wage theories that have been considered, there is an expressed or a tacit recognition of the commodity aspects of labor. Labor is commonly spoken of as though it were a commodity like all other commodities, its exchange value being determined by forces similar to those that determine the selling price of goods on the general commodity market. The conception that labor is a commodity not only is erroneous but is partly responsible both for the failure to evaluate properly the human element in production and for the resultant conflict of industrial interests. There is no more urgent need in the philosophy of industrial relations than to abandon the notion that labor is a marketable product exactly like all other products.

Under the wage system, as under slavery, serfdom, and indentured service, the tendency to depersonalize the laboring class has been all too

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common. Labor has been regarded as an abstract quantity, a purchasable, impersonal commodity, an item in the cost of production rather than a great mass of human beings whose efforts are largely responsible for the creation of those economic goods and utilities that satisfy the world's needs. Viewed as a marketable product devoid of personality, it is natural to declare that the price of labor, like the price of any commodity, is determined by the cost of production plus a variable surplus that may arise because of extreme scarcity of supply. Thus labor must have its *normal price*, which covers the cost of maintaining the necessary supply; and it may have, if market conditions are favorable, a *market price*, which affords a quasi-rent or differential gain.

These persons who regard labor as a commodity similar to all other commodities fail to recognize the numerous peculiarities that characterize the labor supply. This much may be granted: Labor is like a commodity in that the services of labor are bought and sold and command a price on the market. To say that labor *resembles* a commodity is not identical with stating that it *is* a commodity. The peculiar characteristics of the labor supply that differentiate it from the supply of marketable commodities are worth noting.

1. *The labor that is bought and sold is inseparable from the personality of the laborer.* In buying raw material to be used in manufacturing, the capitalist-employer procures complete ownership and control; it becomes his private property which he can dispose of as he chooses. But when he purchases labor he does not secure title to the laborer, as did the master under slavery. He bargains for the services of the laborer but these cannot be divorced from the worker. And when the worker sells his labor power he does not relinquish ownership of himself.

2. *Unlike the seller of commodities, the seller of labor must accompany the commodity in delivery.* The future use or abuse of a commodity is of no concern to the seller, once the bargain is closed; the future destination of labor is of vital concern to the worker, since he himself is the labor power sold. Satisfactory conditions of employment mean much to the worker; hence he is deeply interested in the circumstances under which his labor power is to be applied.

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3. *Commodities and the various forms of capital goods are characterized by a relatively advantageous degree of mobility; they flow easily from place to place and from person to person.* The mobility of labor is dependent upon the mobility of the laborer and is limited by many conditions, such as unwillingness to break away from home and family ties, inertia, financial incapacity to defray the cost of transportation and moving, ignorance of occupational opportunities, and lack of adaptability to industrial vacancies.

4. *Labor has a high degree of perishability and, consequently, must often be sold under special disadvantages.* Commodities are frequently perishable, but the consequences of forced sale are not likely to be so deleterious as in the case of labor. The sellers of labor are usually poor, possessing no reserve fund that would enable them to withhold their labor power from the market. Unemployment means permanent loss of work, since idle days cannot be recovered. Except under extraordinary conditions, the seller of commodities can withhold his product from the market in the hope of a more favorable exchange. Labor cannot wait. The great masses of unskilled workers possess no surplus that permits holding out for a more favorable market. Excessive competition among workers forces wages down to the minimum and allows very little opportunity for the accumulation of a surplus. Loss of work often means malnutrition and loss of efficiency, which in turn disqualify workers for the better opportunities in industry and depress their wage level. In the case of commodities, cold storage facilities are making it more and more unnecessary to sell otherwise perishable goods at forced sale. The quantity and quality of labor cannot be thus conserved.

5. *Replacement of labor is necessarily a slow process.* As capital goods depreciate and wear out they can be replaced with comparative ease; production of such goods is rapid. Replacement of labor is a far more difficult and much slower process. The prolongation of infancy in the human species is a stern fact that renders impossible the spontaneous restoration of the labor supply. Professor Lescohier has described this aspect of the labor supply as follows: ¹⁴

14. Don D. Lescohier, *The Labor Market*, pp. 10-11. Reprinted by permission of the author.

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Labor is an expression of the personal energy of a human being. The productive energy which the laborer sells to his employer is inseparable in existence and in use from the personality of the laborer. In order to increase the supply of labor power in the world we must either increase the number of people or materially increase their efficiency. In order to decrease the total available supply of labor power we must decrease the world's population. Neither increases nor decreases in population can be accomplished quickly. The labor supply has other interests than work. It is produced in response to other than economic motives. It comes into existence through *human* reasons, not market demands.

6. *Unlike a commodity, labor is not a passive thing.* The essential fact to remember about labor is that it is human. Labor power is inseparable from the personality of the laborer, and that personality is a complex of instincts, impulses, passions, motives and drives. Labor resists an unfavorable market whenever it is possible to do so. A forced sale is resented and arouses antagonistic impulses that have far-reaching industrial and social consequences.

In the labor supply, then, numerous determinants are operative that have little or no counterpart in the supply of commodities. To subject the sale of labor to ruthless competitive conditions, although it may be economically plausible, cannot be viewed as economically sound or socially beneficial.

NONCOMPETING INDUSTRIAL GROUPS. The labor supply seems to be characterized by immobility rather than mobility, rigidity rather than flexibility, and diversity rather than homogeneity. Moreover, the labor supply is so decentralized that frequently there exists simultaneously a labor shortage and a labor surplus. In the absence of effective machinery for the prompt redistribution of the labor supply, such a situation causes serious maladjustments in the labor market and consequently in the wage relation.

In the theoretically free and balanced economy of the orthodox economists, every wage earner has an equal chance of entering any occupation and moving to any opportunity for work. Actually, no such balanced economy exists and no such opportunity is possible. Cost of training and apprenticeship, variations in educational privileges, lack of financial resources, differences in individual ability, and the imposi-

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tion of artificial restrictions by labor unions and labor legislation preclude such mobility. The existence of what Professor Cairnes called "non-competing groups" exerts a significant influence on the labor supply and the earnings of the workers in any given occupation, trade, or profession. Says Professor Cairnes: ¹⁵

No doubt the various ranks and classes fade into each other by imperceptible gradations, and individuals from all classes are constantly passing up or dropping down; but while this is so, it is nevertheless true that the average workman, from whatever rank he be taken, finds his power of competition limited for practical purposes to a certain range of occupations, so that, however high the rates of remuneration in those which lie beyond may rise he is excluded from sharing them. We are thus compelled to recognize the existence of non-competing industrial groups as a feature of our social economy. . . .

Limitation of supply, whether caused by actual quantitative or qualitative labor shortage or by the imposition of artificial restrictions, creates a scarcity value, defines the limits of competition on the supply side, and makes for relatively high wages.

THE ESSENTIAL NATURE OF DEMAND. From what has been said in the preceding pages concerning the determination of labor's share in the national dividend, it is obvious that the price of labor, like the price of commodities, is fixed in a complex market in which the demand for workers and the available supply of workers are the basic factors. It is clear, moreover, that the wages of any kind of labor will tend to be fixed at the point where the supply of that particular kind of labor and the demand for it are in equilibrium. The natural ceiling for the wages of any type of labor is set by labor's marginal productivity, or that share of the final aggregate product added by the employment of the marginal worker, which ultimately depends upon the utility of the product to the consumer. Decreased profits, financial losses, and eventual bankruptcy will result from the payment of wages in excess of this economic maximum. The natural floor of wages is set by the amount of income necessary to maintain the labor force and provide an adequate supply

15. J. E. Cairnes, *Some Leading Principles of Political Economy Newly Expounded*, pp. 67-8. Reproduced by permission of the publishers, Harper and Brothers, New York, N.Y.

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of efficient workers. Whether wages will reach or even approximate the maximum limit of marginal productivity or fall to the irreducible minimum of subsistence and a sustained labor supply will depend, as we have seen, upon numerous conditions and factors.

Fundamental in the determination of wages is the demand for labor, which the leaders of organized workers are too apt to forget in the bargaining process. The demand for labor is essentially a demand for the products of labor. The mental and physical efforts of the laborers can receive a financial reward only if such efforts are expended in the production of a commodity or a service that an adequate number of consumers desire and will purchase at prevailing prices. Entrepreneurs interpret and translate effective consumer demands into terms of offers of employment to laborers. Any condition that affects demand adversely will limit, perhaps even destroy, the entrepreneur's ability to employ labor. Changes in human desires, variations in fashion, loss of purchasing power through unemployment, vacillating whims of consumer tastes, unsatisfactory quality of product, and innumerable other factors may cause a shift, if not diminution, in consumer demands for specific goods and services.

The demand for labor is often erroneously conceived as a general, unitary thing. Actually, the demand for labor "... consists of millions of specific, individual demands for specific types and qualities of labor to work in specified establishments for more or less definite periods of time. It is a composite of multitudinous individual demands, emanating from individual concerns."¹⁶ Such specific demands for workers come from innumerable private and public employers, who endeavor to reflect consumer needs and effective desires. The labor demand, therefore, is decentralized.¹⁷ This is precisely what makes the accurate prediction and calculation of such a demand practically impossible. Yet it is the degree of accuracy which characterizes the entrepreneur's prediction and calculation that determines his success or failure and, consequently, the continuance of his demand for workers.

In a very real sense, the interests of the employer and the wage earner are unified through the factor of demand. Unless price adjust-

16. Lescohier, *op. cit.*, p. 21.

17. *Ibid.*

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ments upward are possible or untapped sources of efficiency are discovered, the higher the wage the fewer the workers the employer can afford to hire. If increased wages cannot be absorbed by the entrepreneur, the resultant increase in the expenses of production will cause higher prices. Higher prices are likely to diminish the demand for the product or service unless the demand is an inelastic one, and in turn, to diminish the market for labor. It may be true, moreover, that the increase in wages will force the employer to economize in the use of labor and to use relatively more units of capital; that is, he may find it necessary and profitable to substitute machinery and equipment for human power. This aspect of demand, together with the influence of elasticity of demand, was discussed in an earlier chapter.¹⁸

THE INADEQUACY OF A LAISSEZ-FAIRE WAGE POLICY. Despite the counsel of *laissez-faire* advocates to the contrary, it is quite evident that a policy of indifference and noninterference is inadequate to meet the exigencies which issue from the complex economic forces and intricate human relations of the labor market. There are too many hindrances to the free operation of economic laws to warrant a social policy of nonintervention. The refinements of wage theory guide us toward an understanding of the mechanism of the labor market, but as yet they have not provided a workable technique for the solution of practical wage difficulties which constantly arise in employment relations. Under the circumstances of unequal economic power which characterize the present social order, a policy of nonintervention on the part of the state results in a policy of labor exploitation on the part of the unscrupulous employer, whose wage practices injure not only the exploited wage earner but also militate to the disadvantage of fair-minded employers and society in general.

Much more rational than a policy of indifference are the careful analyses of actual wage policies and practices with a view to accurate determination of realistic wage principles, and the formulation of wage-payment plans that will safeguard the interests of employers and wage earners and protect the interests of the consumer and the community. Until such a program is realized, a certain amount of social control of

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the wage relation would seem to be imperative, especially for unorganized and what appear to be unorganizable workers.

Questions for Class Discussion

1. In what respects does the modern wage system differ from preceding forms of industrial remuneration?
2. What are the basic elements in the problems of production and distribution in contemporary economic society? How are the well-being and progress of the laboring population involved in the solution of these problems?
3. What were the fundamental assumptions and principal deductions of the subsistence theory of wages, and how valid are they in the light of industrial experience?
4. What may be regarded as the essential elements of truth and the chief fallacies of the wages fund doctrine?
5. Is there any basis for the assumption of the normal value or exchange theory that wages necessarily contain a surplus or gain for the worker?
6. What are the major premises and general conclusions of the marginal productivity theory of wages? Does this theory have any validity from the standpoint of actual wage determination?
7. Do you think that the bargaining theory of wages contains certain elements of practicality not possessed by the other wage doctrines? What are the inadequacies of this doctrine?
8. What grounds, if any, are there for the Marxian exploitation or expropriation theory of wages?
9. In the light of your examination of wage doctrines and observation of industrial experience, construct what seems to you to be a realistic conception of wage determination.
10. What are the principal economic factors that influence wage bargaining in contemporary industry?
11. What are the peculiar characteristics of the labor supply that influence the worker's remuneration in any given industry?
12. How does the existence of non-competing groups affect the wages of various kinds of labor? Can there be any escape from this situation in a competitive economy? Do you think there would be in a collective economy?
13. In the analysis of the demand for labor is there any serious danger of oversimplification? If so, may such oversimplification lead to erroneous conclusions with regard to the determination of wages?
14. In the light of your present knowledge of wage relationships in

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modern industry, do you subscribe to the doctrine that wages are determined by natural economic laws which are beyond human control and that a policy of *laissez-faire* is necessary to assure an equitable distribution of the product of industry?

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Chapter 11

HOURS OF LABOR

¶ THE NATURE OF THE PROBLEM. "We manufacturers are always perfecting our dead machinery, but of our living machinery we are taking no care," said Robert Owen, famous English employer-reformer. He was referring chiefly to the long working day of his time and its deleterious effects upon the health of the laboring population. The modern wage earner is no less interested in the number of hours he has to toil than in security of employment and an adequate wage. Yet after more than a century of effort on the part of organized workers, social reformers, and progressively minded employers, much remains to be accomplished in assuring reasonable hours of work.

It cannot be said that this problem had its inception with modern industrialism, because the long working day prevailed in the agricultural economy that preceded our machine civilization. Under modern industrialism, however, machine processes and speeded-up operations have made the problem more acute. This condition has resulted in widespread discontent with hours of employment. Either separately or in conjunction with the question of wages, hours of labor have long been a major factor in industrial unrest.

Early reformers for the most part recognized only the moral and social aspects of the excessively long work day; they had little or no conception of the possible relation that might exist between the number of hours worked and the productivity of the laboring class. Not until the latter part of the nineteenth century did the economic phase of the problem receive thoughtful consideration, and the greatest development in this particular has come primarily as a by-product of the World

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War, especially as a result of the researches of the industrial physiologists who have done much to measure scientifically the relation of hours to output. If there is to be an intelligent readjustment of hours to meet the requirements of human welfare, all phases of the problem—social, moral, political, and economic—must be recognized.

On its social side the problem of hours of labor involves such elements as the enjoyment of sufficient sleep and rest to assure the maximum of health and the provision of enough leisure time for the development of recreational tastes, social relations, educational opportunities, and domestic life. Serious dangers to health and vitality issue from excessive hours of toil in modern industry. Even the shorter workday imposes a severe strain upon laborers in industries in which monotonous, repetitious, and fatiguing operations prevail. Fatigue poisons accumulate quickly when workers are forced to return to the deadly routine without an opportunity for adequate rest and recuperation. A progressive decline in health is inevitable under these conditions. Quite apart from the matter of health, however, is the necessity of providing for the wage earners in a democratic and progressive community an opportunity to discharge the ordinary duties of citizenship and to enjoy family relations. Men and women can hardly be expected to regard highly an industrial system that fails to recognize these basic human values.

The moral aspect of the problem develops from the tendency of hours of exhausting toil to produce so much fatigue as to weaken the nervous structure and encourage immoral excesses. It has long since been acknowledged that excessive toil drives workers to alcoholism and other forms of debauchery which make serious inroads upon physical health and self-respect. European and American experience indicates that the shorter workday has increased interest in education, diminished alcoholism, and cultivated higher standards of health, morals, and family devotion.¹

The political significance of the problem of hours is identical with

1. See Edgar Milhaud, "The Results of the Adoption of the Eight-Hour Day": Article II, "The Eight-Hour Day and the Human Factor in Production," *International Labor Review*, vol. 13, February, 1926, pp. 175-210.

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that of other maladjustments in industrial relations, namely, its tendency to create distrust of existing social institutions. It is extremely difficult for wage earners to have confidence in a political and social system that fails to protect them from an excessively long workday, especially when there is abundant evidence that the shorter work shift conduces to greater efficiency and larger profits.

Long hours of labor do not pay. That is the economics of the problem; it involves the relation of hours to industrial efficiency and output.² The idea that the productivity of industry is directly proportional to the number of hours worked has been seriously challenged in recent years and seems destined for the scrap heap of economic fallacies. There is increasing evidence of the fact that long hours do not lead to greatest efficiency. Industrial physiologists have pointed out that this might be true if human beings were machines rather than delicate physiological organisms that grow tired and become fatigued. Diminishing productivity is the net result of the long working day that allows inadequate time for recuperation.

It is well to remember that the problem of hours consists not merely of the excessively long workday or week, but also of the abuse of overtime, the continuous shift system, the lack of proper rest periods, unnecessary night work, and the failure to provide for at least one day of rest in seven. The wage earner's standard of life cannot be said to be elevated to a desirable plane so long as these abuses continue.

But there is, in fact, more to the economics of hours of labor than that which refers to the detrimental effect of long hours upon the worker's health and output. Equally important is a consideration of what to do with the tremendous overhead investment and high overhead costs which are often represented in plant equipment and facilities forced to stand idle during many hours of the day and month as hours are reduced and as night shifts and overtime work are abandoned. It is quite possible that reduction in hours may actually result in a higher per man-hour productivity; it is also true that such a reduction will often lead to an increase in total per capita productivity.

2. For factual support of this statement, see studies made by the Women's Bureau, such as Ethel L. Best, "A Study of a Change from 8 to 6 Hours of Work."

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The fact must not be overlooked, however, that as the working hours of an industrial organization are cut from fifty to forty and then perhaps to thirty per week, capital facilities provided for labors' use are utilized only to a fraction of their respective capacities. Thus, unless extra shifts are arranged, there may be a per unit increase in overhead costs through a reduction in working hours equivalent to, or in excess of, the net increase in the worker's health and output. This development has presented many perplexing problems relative to the maintenance of a proper balance between the different agents of production. A decrease in hours of work, unless compensated by increased employment on new work shifts, inevitably means a change in the proportion of capital to labor. If not accompanied by a decrease in wage rates, this means a relative change in the balance between overhead and operating costs, which in turn necessitates a price adjustment upon the market or a change in costs, and shifts in the margins of production.

DEVELOPMENT OF THE PROBLEM. The evolution of modern capitalism had not proceeded very far before enlightened persons perceived the injurious effects of the long working day. Excessive hours of employment for children, adolescents, and women first commanded the attention of reformers in England in the early part of the nineteenth century. The twelve-hour day prevailed, and not infrequently sixteen hours were considered a proper shift. The long hours worked by adult males were scarcely noticed. It was pointed out that not only are women and children less free agents than men, but they are physically incapable of bearing a continuance of work for the same length of time, and the deterioration of the health of women especially is attended by far more serious consequences to society.³ Nevertheless, investigations of the problem of hours of labor in the United Kingdom have shown that it is necessary to limit the hours of employment for all employees in order to prevent overstrain of the workers, conserve the national health, and promote general social and industrial welfare and progress. For over a century the state has accumulated evidence to the effect that conditions of employment, particularly the length of the

3. See the U. S. Bureau of Labor Statistics, "Final Report of the British Health of the Munition Workers' Committee," *Bulletin* 249, February, 1919, p. 20.

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working day, are largely responsible for physical deterioration of the workers. The following statement is significant in this regard:⁴

Apart from exceptional occupations which are in themselves injurious, the principal of the undesirable conditions, the most radical and persistent, the commonest, is that of long hours. It is a significant fact that all through the history of the industrial system of this country the dominant evil is not accidents or poisoning or specific disease, but the stress and fatigue due to long and unsuitable hours of labor, entailing inadequate opportunities for rest, recreation, and nourishment. In a word, it is not work but the continuity of work which kills.

In the United States, as in England, the early factories were generally operated for at least twelve hours a shift, exclusive of time for meals, although in some cases the working hours were reduced to ten and a half during the winter months. Even skilled workmen, who invariably enjoy a more strategic bargaining position than women and children, had a severe struggle in obtaining a substitution of the twelve-hour shift for the traditional "agricultural day," in which employees worked from sun-up to sun-down. It was natural that laboring people in a country claiming acceptance of the principle of freedom, equality of opportunity, and the pursuit of happiness should grow restless under such conditions. Restriction of hours was demanded. The workers desired a greater measure of leisure and larger opportunity for the enjoyment of their homes and families. The movement was strengthened greatly when, in the first half of the nineteenth century, the property-less workers were accorded the privilege of suffrage.

The movement for shorter hours of labor spread rapidly and continued to gather momentum as the century matured. But the struggle was a strenuous one. Then, as now, employers manifested determined opposition to reduction in the hours of employment. Such a change, it was pointed out, would not only result in profligate waste of leisure time and moral delinquency among workers but would also injure the economic productivity of the youthful nation. It was evidently difficult for the more fortunately situated capitalist-employer class to conceive of the less fortunately situated wage-earning class combining leisure

4. *Ibid.*, pp. 23, 24.

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with respectable behavior. Progress was made, however, and in the decade of the forties several states, including Massachusetts and Connecticut, enacted laws reducing to ten hours the workday for children under twelve years of age in manufacturing establishments.

Here, as in Great Britain, early laws were ineffective on account of inadequate provisions for enforcement. Adult workers supported the shorter workday for children, with the hope that such a movement would have a favorable effect on their own hours. Protection of the health of the child worker and the need for education were the basic arguments for the shorter workday, but the eight-hour day did not become common in industrial states until the early years of the present century. Opposition to this reform was based upon the idea that competition with backward states not having such laws would be disastrous.

Excessive hours of employment for women workers received attention in this country as early as the 1830's when the twelve-hour day, so prevalent in large textile factories, was condemned as injurious to health. In the tide of humanitarianism that swept this country during the decade of the forties, the ten-hour day for women was demanded, with encouraging results. Here again, however, the laws were more or less ineffective because of lax enforcement. Not until 1879 did the United States have an enforceable law limiting the hours of labor for women. The first third of the present century witnessed the spread of a successful movement for the eight-hour day for adult female workers.

By 1890 the struggle for the ten-hour day witnessed its accomplishment in a majority of occupations and industries throughout the nation. But there still remained many and wide variations from this ten-hour daily average. By the early 1890's the cigar makers had cut their work week to less than fifty hours in at least fifteen states, and below fifty-three hours in the country as a whole. But adoption of these standards in the nineteenth century, however, witnessed innumerable exceptions. In the steel industry, as Andrew Carnegie observed in 1886,⁵ "every

5. Andrew Carnegie, "Results of the Labor Struggle," *The Forum*, 1886, vol. 1, p. 544. The two exceptions were the Lucy and Isabella furnaces of the Carnegie Company in Pittsburgh.

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TABLE 36

ESTIMATED AVERAGE DAILY HOURS OF WORK IN AMERICAN INDUSTRIES, 1840-1938

Year	Average Per Day (Hours)	Year	Average Per Day (Hours)
1840	11.4	1900	9.6
1850	11.5	1910	9.1
1860	11.0	1920	8.4
1870	10.5	1930	7.5
1880	10.3	1940	7.6
1890	10.0		

SOURCE: Estimates for 1930 and 1940 made upon basis of five-and-one-half-day week and five-day week respectively. All other estimates made on a basis of a six-day week. See Millis and Montgomery, *Labor's Progress and Problems*, p. 468; Don D. Lescohier and Elizabeth Brandeis, *History of Labor in the United States*, vol. iii, pp. 97-113; and *International Labor Review*, vol. 44, September, 1941, p. 360.

ton of pig iron made in the world, except in two establishments, was made by men working double shifts of twelve hours each, having neither Sunday nor holiday the year round." Charles M. Schwab had explained this condition in 1899 by stating that "any one who is familiar with steel knows that a great deal of work must be carried on continuously."⁶ There was no other way to produce steel, so he believed, but to run two twelve-hour shifts continuously seven days a week.⁷ This long workday persisted within the industry until 1923, when the eight-hour shift was installed on continuous operations, thereby reducing the hours of workers such as those on blast furnaces from seventy-two per week in 1920 to sixty in 1924. Likewise, hours at Bessemer converters were reduced from seventy the former year to fifty-two the latter, and at open hearths from sixty-nine to fifty-eight.⁸

The seventy-two hour week persisted within the iron mining industry in New York and New Jersey down to 1853 when it was cut to sixty and later in 1882 to forty-five hours with but few exceptions. The

6. Charles M. Schwab, "The Iron and Steel Combination," *Report of the United States Industrial Commission on Trusts and Industrial Combinations*, Washington, 1901, vol. 13, p. 462.

7. Don D. Lescohier and Elizabeth Brandeis, *History of Labor in the United States*, vol. iii, p. 102.

8. *Ibid.*, p. 105.

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plasterers worked sixty hours a week for a thirty-year period preceding 1870; then their hours dropped gradually to fifty-four between 1885 and 1890, and by 1900 the forty-eight hour week was fairly well established. In 1925 hours were decreased further to forty per week. Trainmen worked seventy hours (seven ten-hour days) in most territories.⁹ In 1898 the standard work week for locomotive engineers was eighty-four hours in Virginia, and only sixty-four in New Hampshire. There was, however, a wide range in the hours worked in the same or similar industries in one locality, as well as in different localities, the range being widest in districts where industries catered to local markets.

This wide diversity was still present throughout the United States by 1920, as is evidenced by the fact that hours ranged all the way from thirty upward to eighty-four in different occupational groups and different localities. But by far the great majority of workers fell within the range of from forty-four to sixty-hour work weeks.¹⁰ In 1914 only 12 per cent of the workers were following work schedules of forty-eight hours a week or less; by 1919, 49 per cent of them were on such schedules. In the former year 50 per cent were working fifty-five hours a week or more; by 1919 only 26 per cent were so classified.

Up to 1938 when the Fair Labor Standards Act was passed by Congress, legislative measures relative to wages and hours in behalf of adult male workers in the United States had been very limited. The slow development of legal restriction upon the hours of labor for adult males is attributable in part to the attitude and policy of trade unions. Ever since its organization in 1886 the American Federation of Labor has fought for the eight-hour day, but it has desired to achieve a shorter day through collective bargaining rather than through law. The reason for this is that unions fear the effect of legislative action upon union membership, since workers are not likely to continue paying dues to labor organizations if the same results can be accomplished through law.

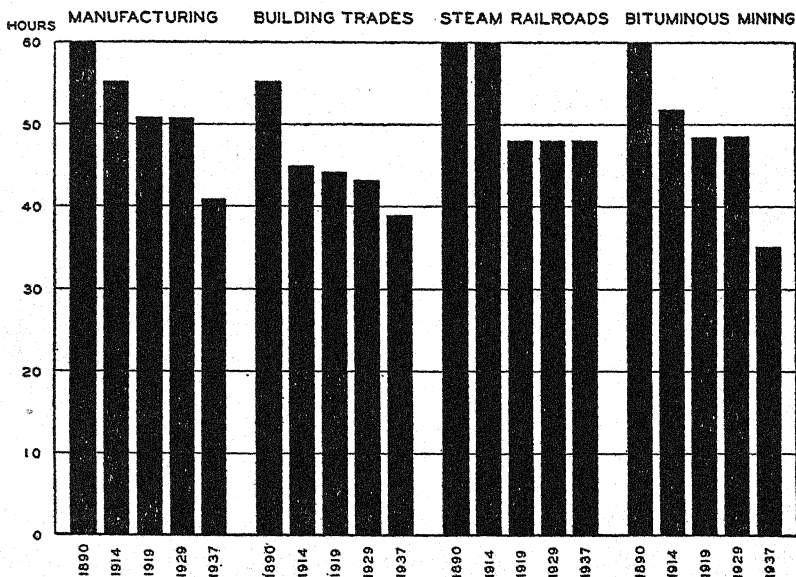
Because of incomplete data, statistical measurement of the present status of hours of labor in the United States is at best only crude. The

9. *Ibid.*, p. 102.

10. *Ibid.*, p. 105.

CHART 16

AVERAGE PER CAPITA FULL-TIME HOURS OF WORK PER WEEK
IN MAJOR INDUSTRIES, 1890-1937



SOURCE: Leo Wolman, "Hours of Work in American Industry," National Bureau of Economic Research, Bulletin 71, November 27, 1938, p. 3. Reproduced by permission of the National Bureau of Economic Research.

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ideal of eight hours a day for five days a week has not yet been realized for all American workers, but notable advancement has been made. This ideal has become a reality in highly organized trades and is a general practice in certain mercantile and manufacturing establishments. Many financial and mercantile establishments have a forty-two-hour week. The five-day week of forty hours has been introduced in many industries. In the absence of effective unionism and state or federal legislation, however, the nine- and ten-hour day is still to be found, the twelve-hour shift has not entirely disappeared, and many abuses arise in connection with overtime, night work, and Sunday labor.

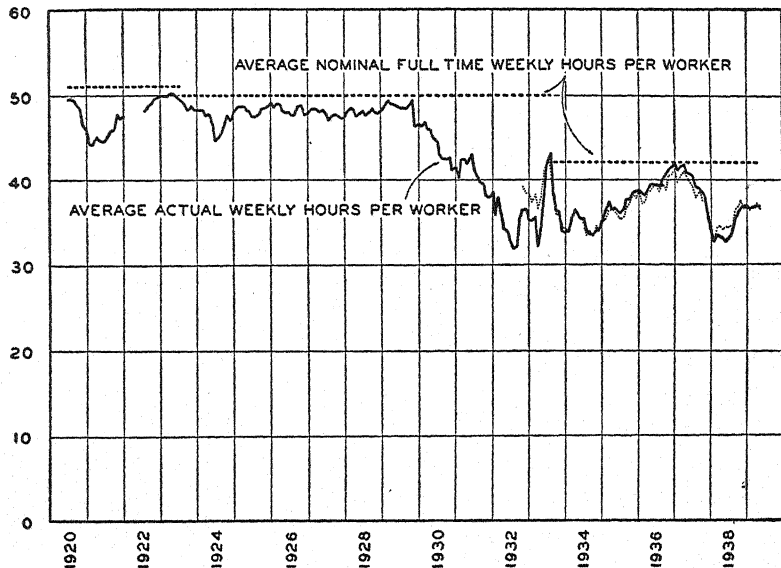
Several conclusions can be drawn from the review of hours trends made thus far. First, the trend toward a shorter work week, while general, was negligible until the war period. During the twenty-five years preceding the war, average hours were reduced by five per week, but within five years subsequent to the war they were reduced by over three. Second, the unionized groups seem to have made better headway than nonunionized groups, since hours within the unions were cut from 54.4 per week in 1890 to 45.7 in 1920, whereas those in nonunion groups fell from 62.2 per week to 53.5. Third, beginning with the 1930's two forces made their appearances.

With the oncoming depression business voluntarily began to introduce the "share-work" programs designed to keep certain employees from being laid off by cutting down upon the hours of work of all. The National Recovery Administration, by means of code agreements between the respective members of various productive or commercial associations, set out upon a program of enforced reduction in working hours under conditions insuring fair competitive practices. Finally, the most significant single force behind this movement in recent years, as we shall see at greater length later, has been the gradual acceptance of legislative measures such as maximum hour laws for women and children and, quite recently, the Fair Labor Standards Act of 1938 applying to both men and women engaged in most industries whose activities are interstate in nature. At last the courts in America are beginning to realize the social and economic needs for protection against excessively long working days and weeks.

CHART 17

AVERAGE NOMINAL AND ACTUAL HOURS OF WORK PER WEEK
IN AMERICAN MANUFACTURING INDUSTRIES, 1920-1939

HOURS



SOURCES: The form of the chart and the figures for nominal hours were obtained from Leo Wolman, "Hours of Work in American Industry," *National Bureau of Economic Research*, Bulletin no. 71, November 27, 1938, p. 17.

The solid line represents hours as computed by the National Industrial Conference Board. SOURCES: June, 1920-June, 1936: M. Ada Beney, *Wages, Hours, and Employment in the United States*, National Industrial Conference Board, New York, 1936, pp. 44-47. July, 1936-July, 1937: *Survey of Current Business*, vol. 17, September, 1937, p. 29. August, 1937-July, 1938: *Ibid.*, vol. 18, October, 1938, p. 29. August, 1938-April, 1939: *Ibid.*, vol. 19, no. 7, July, 1939, p. 27.

The thin dotted line represents hours as computed by the U. S. Bureau of Labor Statistics. SOURCES: October, 1932-May, 1935: U. S. Bureau of Labor Statistics, *Trend of Employment* (a monthly publication). June, 1935-December, 1936: U. S. Bureau of Labor Statistics, *Employment and Pay Rolls* (a monthly publication). September, 1937-August, 1938: *Survey of Current Business*, vol. 18, November, 1938, p. 27. September, 1938-April, 1939: *Ibid.*, vol. 19, July, 1939, p. 27.

Some of the figures were revised later.

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THE CASE FOR THE SHORTER WORKDAY. Those who advocate the shorter workday base their case upon several specific contentions. Organized labor frequently urges a reduction in hours of work as a means of solving the problem of unemployment.¹¹ Disregarding any change in efficiency, twice as many men will be required to produce the same volume of output on a six-hour-day basis as on a twelve-hour basis. An increase in efficiency would be necessary, of course, to maintain for the shorter day the same level of wages as exists under the longer shift. It is contended that by thus creating employment the shorter workday would increase the general standard of income for the wage-earning class. There would be not only a larger income but more leisure time in which to spend that income, a result which it is said would greatly stimulate consumption and so help to sustain regularity of trade, production, and employment. Industry would thus benefit through greater profits made possible by a wider range of commodity markets and enhanced efficiency in the organization and direction of the working forces.

Persons interested in moral, religious, and social progress insist that the shorter the working day the greater will be the opportunities for enjoyment of the comforts of home and family, acquisition of culture, development of spiritual life, and fulfillment of the duties of citizenship. After all, it is urged, the purpose of industry is the enrichment of human life, and since it is socially expedient that industry be subordinated to human well-being, hours of labor must be reduced to the lowest minimum required for the maximum happiness of the greatest number.

OPPOSITION TO THE SHORTER WORKDAY. Generally speaking, employers of labor are far from being convinced of the social and economic advantages of the shorter workday.¹² Many employers have recognized the advantages of reduced hours of labor and have voluntarily introduced

11. See particularly William Green, *The Thirty-Hour Week*, American Federation of Labor, Washington, 1935, pp. 4-5; Karl Kautsky, "Society Will Benefit by Shorter Hours," *Labour*, vol. iv, May, 1937, p. 211.

12. See particularly the National Industrial Conference Board, *The Thirty-Hour Week*, New York, 1935.

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the shorter working day and the shorter working week, but in most cases some kind of pressure has been necessary. Those who oppose shorter workdays do so on a number of different grounds. Many insist that such a step would mean a proportionate decrease in the productive capacity of their establishments. This would mean an increase in labor costs and general production costs, which would be reflected in higher prices to the consumer. Such a result, it is said, would destroy the power of American industry to compete in world markets, because of the longer workday with its consequent lower production expense in many foreign countries. Nor would this redound to the advantage of American wage earners, since a decrease in wages would necessarily follow a decrease in hours of labor caused by the loss of markets.

Not a few employers reiterate the traditional objection that an increase in leisure time resulting from the shorter workday would mean an increase in intemperance, idling, and moral lassitude. They contend that there is no assurance that the wage earner would make proper use of the opportunities for greater social, cultural, and spiritual development.

Many employers are manifestly skeptical with regard to the effect of the shorter workday upon the problem of unemployment. They point out that the causes of unemployment are deeper than the length of the working shift. In their judgment a reduction of hours of labor would not provide more work but would simply cause a wider and thinner distribution of the amount of work already available. They insist that this is merely robbing Peter to pay Paul.

CONFLICT OF ECONOMIC AND SOCIAL INTERESTS. It is apparent that almost every argument advanced by those who seek to reduce the hours of labor is met by a counter argument from those who are convinced that such a step would entail grave social, moral, and economic consequences. Here, as in the case of practically all the other problems of industrial relations, there is a seeming conflict of interests. Such a controversy cannot be decided upon the basis of abstract rights; rather must its decision be approached through social expediency. The economic advantages of the long workday, which are reflected mainly in

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profits to employers, may accrue at the physical, moral, and social expense of the great mass of wage earners. Enlightened social philosophy insists that where there is a conflict between the economic interests of the few and the advancement of social well-being of the many, the latter should and must take preference. The fundamental question is: Is there a necessary conflict between economic and social interests? It is not at all unlikely that what is socially desirable may also be economically advantageous, or at least can be made so. There are limits below which hours of labor cannot be reduced without affecting output adversely. Such a result would injure the workers as well as the employers. The basic problem is to discover these limits. Most industries are probably some distance from this minimum and considerable reduction is undoubtedly possible, especially where a definite effort is made to plan more efficiently.

HOURS OF LABOR IN RELATION TO OUTPUT. In recent years there has been considerable discussion of the relation of hours of labor to output. The conviction is growing even among employers that excessive hours of work result ultimately in diminished production, an inferior quality of workmanship, and a much greater cost of operation, to say nothing of the unfavorable effects upon the constitution of the workers and the encroachment upon social and domestic life. Many employers are also convinced that a substantial reduction in hours of labor can be effected without any reduction, or only a slight one, in output. The opinion which at one time prevailed, namely, that long hours of labor necessarily result in larger output, is being replaced gradually by sound judgment based upon experimental evidence that the excessively long working day is neither economically profitable nor socially desirable.

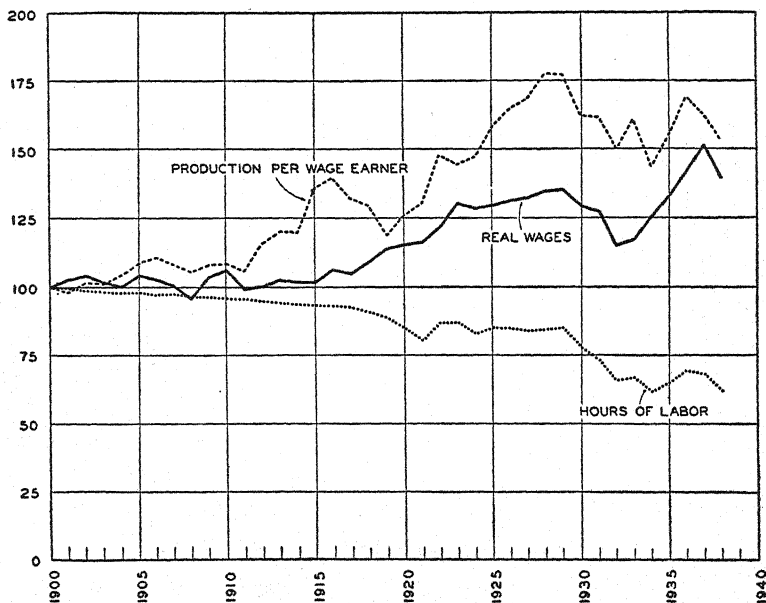
There is space here for the citation of only a few of the many instances in which a reduction in the hours of employment has had a favorable effect upon productivity. The British Health of Munition Workers' Committee discovered in its investigation of hours and output that, generally speaking, a reduction varying from seven to twenty hours in the weekly schedule of actual work in no case resulted in more than an insignificant diminution of total output, while on the

CHART 18

REAL WAGES, PRODUCTION PER WAGE EARNER, AND WEEKLY
HOURS OF LABOR IN MANUFACTURING INDUSTRIES,
1900-1938

IN PERCENTAGES

INDEX NUMBERS



SOURCES: Real wages taken from the authors' chart, "Real Wages in the United States, 1820-1938" and converted to 1900 as a base. Sources from which production per wage earner and weekly hours of labor were taken are given in our chart on "Output, Employment, and Productivity in Manufacturing Industries, 1900-1938" in Chapter 7. Output per wage earner 1900-1918 was taken from the *National Industrial Conference Board Bulletin* mentioned in the above reference. The indices for 1919-1938 were computed by the present authors.

(Note: Figures for 1936-1938 are subject to revision. Real wages refer to *employed workers only*.)

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average it resulted in a substantial increase in production.¹³ This same conclusion has been reached subsequently by many American manufacturers.¹⁴

Similar evidence was gathered sometime ago by the United States Public Health Service. In an exhaustive comparative study of an eight-hour plant and a ten-hour plant it was found that the former was more efficient. The outstanding feature of the eight-hour system was steady maintenance of output, while the prominent characteristic of the ten-hour system was the decline of output. Under the ten-hour system lost time, artificial restriction of output, physical and mental fatigue, and industrial accidents were prevalent, while under the eight-hour system these deficiencies were reduced to a minimum. In every respect the eight-hour day proved more advantageous.¹⁵ In its investigation of continuous process industries, the Federated American Engineering Societies found that in the vast majority of plants that have substituted an eight-hour shift for the twelve-hour shift the quality and quantity of output have been satisfactory. In some plants there was an increase of production amounting to 25 per cent per man, sometimes more; in practically every instance where this substitution was made there was a marked reduction in absenteeism and labor turnover.¹⁶ In most instances increased output has been ascribed solely to the greater energy and promptness of the workers, but it can hardly be gainsaid that considerable assistance has frequently come from the more careful planning of work and the introduction of technical improvements. The relation between the trend in the reduction in hours and per capita productivity is clearly shown in Chart 18.

While the evidence of the greater productivity of the laboring forces under the shorter workday is convincing, care must always be exer-

13. See Josephine Goldmark's *Fatigue and Efficiency* (New York Charities Publication Committee, 1912); also the *Reports of the British Health of Munition Workers' Committee*, *op. cit.*

14. See particularly the results of the study made by the U. S. Department of Labor, Ethel L. Best, *op. cit.*

15. U. S. Public Health Service, *Comparison of an Eight-Hour Plant with a Ten-Hour Plant*, Bulletin 106, Washington, 1920, p. 26.

16. J. R. Commons and J. B. Andrews, *Principles of Labor Legislation*, p. 88.

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cised not to generalize too much on this point. Many qualifying factors should be recognized. The immediate effect may be a decrease in output, which may continue until the workers have become adjusted to a new schedule. The nature of the process will have some influence upon the result. Much will depend upon whether machinery or hand labor plays the predominant role in the process. Concerning this matter P. Sargant Florence has observed:¹⁷ "A reduction of hours increases hourly output and decreases absence and accidents per hour. Reduction to eight hours per day also increases daily output in occupations where speed depends mainly on the human factor, but may fail to do so where the machine sets the pace or the completion of the operation depends on chemical process." Even where the human factor is the more important, much will depend upon the character of the work. An increase in output will be more likely to result from a reduction in hours in those occupations that require great physical and muscular strength than in lighter occupations. In every instance, of course, the result will be governed by the amount of thought that management gives to careful planning and upon the willingness of workers to co-operate in maintaining efficiency.

It must not be concluded that output is the sole criterion of the wisdom of reducing hours of labor. Even where a reduction in output ensues, there may be many compensatory effects in the reduction of absenteeism, accidents, and labor turnover, not to mention the greater measure of good will that normally results from a change to a shorter workday. These effects should reflect themselves in more economical operation and hence in greater profits. One must not forget, moreover, that a readjustment in hours may be socially desirable even if made at a reduction in profits to the entrepreneur. Finally, there is the real possibility of absorbing a substantial portion of the employable unemployed by means of establishing shorter working hours. No one can deny, in the face of a persistent army of unemployed since the Great Depression, that this possibility alone is deserving of sympathetic exploration.

NIGHT WORK. Civilized peoples are beginning to recognize the fact

17. *Economics of Fatigue and Unrest* (New York, Henry Holt, 1924), p. 348.

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that, except in cases of necessity or in periods of great emergency, night work is socially undesirable. Under our modern industrial system, however, night work has greatly aided the production of commodities, and has offered a significant method of cutting down the ever-increasing overhead costs of industry. This result has led employers to believe that such work is necessary and profitable. Here again one meets a conflict of economic and social interests. Under these circumstances it is necessary to discover whether night work has deleterious effects upon the health of laborers and tends to reduce the ultimate supply of efficient labor. If it can be proved that night work affects adversely both the quality and quantity of productive labor, its discontinuance will undoubtedly be sanctioned by employers. From a social point of view, even a relatively high degree of efficiency in night operations must be forfeited if it is purchased with rapid exhaustion of the health and energy of the workers. From an economic point of view, night work may be necessary if the employer is to meet the demand for his product, or if he is to maintain his market in the face of increasing competition or mounting variable production costs.

Industrial experience has shown that the possession of extraordinary physical strength and self-control facilitates the reversal of the ordinary routine of day work and night rest, with little or no unfavorable effect on health and efficiency. Unusual vitality and self-control, however, are not common possessions. It has been found that the most serious obstacle to a reversal of the routine is the lack of self-discipline. Many night workers enter into the numerous activities of day life that preclude sleep, and continue to attempt to do their work at night. Evidence gathered by the British Health of Munition Workers' Committee places permanent night workers, whether judged on the basis of output or loss of time, in a very unfavorable position as compared with day workers.

Systems of night work differ. There is the continuous system, in which employees labor by night and do not attend the establishment at all by day, and the discontinuous system, in which the workers change to the day turn at regular intervals, usually every other week. There are, of course, minor variations in these systems, depending

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upon the nature of the industry and the wishes of management. Such bodies as the British Health of Munition Workers' Committee have given us valuable conclusions concerning the effect of night work. Continuous night work is definitely less productive than the discontinuous system. The output of the continuous day shift does not make up for this loss in production.

There is, moreover, a marked difference between the rates of output of night and day shifts on the discontinuous plan. In each case investigated the inferiority of night labor was definitely established. This inferiority is evidently the result of the night worker's failure to secure proper amounts of sleep and rest during the day. The system of continuous shifts, especially for women, is regarded by all investigators as undesirable. Women on continuous night work are likely to perform domestic duties, and this added strain undoubtedly accounts for the poorer results of their industrial activities. The tendency to devote to amusement and other things the time that should be spent in rest and sleep is certainly as common among men as among women workers and accounts largely for the loss of efficiency and time on the part of both sexes in night work.

The case against night work, then, may be said to rest upon several grounds. In the first place, there are the remotely injurious effects of permanent night work manifested in the later years of the worker's life. Of more immediate importance to the average worker is the disarrangement of his social life, including the recreational activities of his leisure hours and the ordinary associations of normal family relations. From an economic point of view, night work is to be discouraged because of its adverse effect upon efficiency and output. A moral argument against night work in the case of women is that the night shift forces the workers to go to and from the factory in darkness. Recent experiences of industrial nations have added much to the evidence against the continuation of night work, except in extraordinary circumstances and unavoidable emergencies. The immediate prohibition of night work for all laborers is hardly practicable; its discontinuance in the case of women employees is unquestionably desirable. "The night was made for rest and sleep and not for work" is a common say-

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ing among wage-earning people, and many of them dream of an industrial order in which there will be no night shift.

OVERTIME AND ITS ABUSES. In opposing the movement for a shorter workday, employers have often stated that what the laborers want is not an actual eight-hour day but a basic day of eight hours with extra rates of pay for additional hours. Overtime, which is often paid for at rates higher than for normal hours, is doubtless desired by many workers. On the other hand, workers can get overtime only at the request of the employer, and if adequate wages are paid for the regular day's work it is hardly likely that working men will covet overtime, since the average worker is glad to leave the plant at the end of the regular day.

Some overtime, like some night work, will always be necessary so long as breakdowns and other irregularities occur in industry. It is not the use but the abuse of these extra hours that entails unfavorable consequences. Overtime ordinarily refers to the hours of labor in excess of the normal working day. In very recent years considerable attention has been given to the physical, social, and economic effects of excessive overtime, and serious objections have been raised against it. Overtime is likely to impose too severe a strain on the workers. While it is granted that for an emergency overtime is necessary and effective, the conviction is growing that after a period the rate of production tends to decrease and the extra hours result in little or no additional output. There is little doubt that overtime frequently results in a large amount of lost time. Workers become exhausted and take a rest; they accumulate extra funds and are tempted to lay off; and many of them, chiefly the older ones and those of weak constitution, suffer physical breakdown. There is also a very serious strain upon the management, executive staff, and foremen, because of the longer workday and the additional responsibility and anxiety relative to the maintenance of efficiency and output in the plant. These employees cannot lay off like the ordinary laborers. Overtime is likely to curtail unduly the period of rest and sleep for those who have to travel long distances to and from their work. This has especially harmful consequences for young persons. Finally, the additional hours of labor

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involved produce fatigue; and the workers, being too tired to eat, seek artificial stimulants which in turn affect their efficiency and welfare.¹⁸

Overtime is common in many industries. Seasonal industries with their periodical rush seasons lengthen the day's work, strain the health and endurance of the workers to the utmost, and inflict permanent physical injuries that cannot be estimated and for which there is no compensation during slack or dull periods. "Regular seasonal overtime . . . leaves the worker with too great a physiological deficit. There is no rebound, or an infinitely slow one, when our elastic capacities have been too tensely stretched. It takes much more time, rest, repair than the working girl can possibly afford to make good such metabolic losses. Compensation—off-time—comes too late."¹⁹ American and European experience has proved that overtime work is invariably inefficient, results in loss of time and output, and is as unfavorable in its effects on business as it is physically deleterious to the workers.

SUNDAY LABOR. The industrial experience of advanced nations shows conclusively that intervals of rest are needed to overcome mental and physical fatigue and exhaustion, but the lessons of experience are frequently disregarded in the operation of industry. Enlightened employers have recognized both the social and the economic value of a periodic day of rest. The great majority of present-day employers are unfavorably disposed to Sunday labor. Their opposition is based on a number of different grounds. Administrative difficulties are many. Supervision of Sunday work is difficult and imposes a severe strain on the foremen; inexperienced, substitute supervision entails much waste. Economic inefficiency is inevitable. Sunday labor often means high wages and increased cost of operation, is usually characterized by low output, and is followed by a loss of time during other days of the week. Social and religious factors enter into the problem. Considerable feeling prevails among workers of every class that the seventh day should be set aside as a day of rest and that it is good for body and mind. The evidence

18. U. S. Bureau of Labor Statistics, "Hours, Fatigue and Health in British Munition Factories," Bulletin 221, Washington, April, 1917, p. 21.

19. Goldmark, *op. cit.*, p. 88.

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that has been collected concerning Sunday labor shows that if the maximum of output is to be secured and maintained for any length of time, a weekly rest period must be allowed. Both on economic and social grounds Sunday work should be limited to sudden, unavoidable emergencies and the making of necessary repairs that cannot be accomplished when the industry is in full operation. In industries in which continuous operation is necessary, provision should be made for one day of rest in seven for all workers.

REST PERIODS. Quite apart from one day of rest in seven, there is frequently a great need for rest periods or pauses at regular intervals within a single shift. For the majority of workers there is no specific provision for a brief respite from the tedium of toil, except the time allowed for lunch. In recent years studies in industrial physiology have yielded convincing evidence of the physical and economic value of definite pauses in work operations. Rest periods check cumulative fatigue in its latent stages and prevent the development of illness, which invariably causes loss of productivity and increases absenteeism.

Ten- or fifteen-minute pauses are becoming increasingly common—one in the middle of the forenoon and one in the middle of the afternoon, the length of the pause depending upon the nature of the occupation. Formal rest periods are not so essential in occupations in which the nature of the work automatically allows periodic relaxation and relief from nervous strain, but rest periods are indispensable in occupations that are monotonous and require prolonged and intense concentration of attention, enforce a continuous sitting or continuous standing posture, involve severe physical exertion, or expose workers to extremes of heat or gases or other unfavorable conditions. Industrial experience suggests that such pauses conduce to better health and greater efficiency. Relaxation has a reviving effect upon the workers and makes unnecessary the irregular pauses that cause so much lost time. In this connection it is also appropriate to call attention to the need for more adequate lunch periods in order to discourage hasty eating with its adverse effect upon the health of the worker.

HOLIDAYS AND VACATIONS. Absorbed in the intensive exploitation of her natural resources and the development of her industries, the United

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States has manifested a discouraging indifference to the need for holidays and vacations for her industrial wage earners. Salaried employees and executives have fared much better. Holidays and vacations unquestionably provide a much-needed break in a long period of muscular and mental strain and give a welcome opportunity for rest, change, and recuperation. Periodical escape from the grind and routine of daily toil has positive values. When there is assurance of holidays and vacations, workers take up their tasks with greater efficiency and tend to sustain their productiveness for longer periods. Moreover, there is a favorable effect upon health and attendance records. Settled habits of work need to be broken in the interests of all concerned.

PROGRESS. Although it is apparent that the problem of hours is as yet unsolved, encouraging advancement has been made. Trade unions, enlightened employers, and the state have contributed to this progress. The movement for the eight-hour day in the United States assumed a definite form about 1850, when the chief motive was provision of work for the unemployed. Soon another motive became prominent, namely, the indirect increase of wages.

Eight-hour day laws were passed by several states, but these measures were either unenforced or unenforceable. Subsequent to 1886 organized labor, under the leadership of such bodies as the American Federation of Labor, was convinced that voluntary agreements between employers and unionized workers were more reliable than legal regulation. Prior to the World War comparatively few American wage earners, outside the building trades, had obtained the eight-hour day. Between 1915 and 1919 approximately $3\frac{1}{2}$ million workers had their hours reduced to eight, largely because of the strategic position of labor during that period and the arbitrary decrees of war-time governmental bodies. A reaction in favor of longer hours set in as a result of the depression of 1921-1922, but following the recovery of business in 1923 the movement toward the shorter workday again advanced.

By the time recovery began to set in following the Great Depression, some 50 per cent of all American workers were serving under National Recovery Administration codes which provided for a forty-hour week, and only 8 per cent were included under codes allowing more than

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fifty hours of work per week. Since that time many organizations have voluntarily maintained the shorter work week thus established, and certain others have been forced to shorten hours as a result of federal or state legislation or the effective bargaining power of various labor groups. The net effect is that practically all highly organized trades have won not only the eight-hour day but also the forty-hour week. The ten- and twelve-hour day and the six- and seven-day week are rapidly being driven from their last strongholds in the United States.

THE FIVE-DAY WEEK. The gradual reduction in the number of hours in the work week of American workers has brought definite progress toward the widespread adoption of the five-day week. In the autumn of 1926 Henry Ford formally announced a five-day week for the Ford plants, no work to be scheduled for Saturdays and Sundays and the working day to consist of eight hours with no overtime.²⁰ After some experimentation the company was convinced that no loss in production would follow the change from the six- to the five-day week. No reduction in wages ensued. Said Mr. Ford:²¹ "We find that the men come back after a two-day holiday so fresh and keen that they are able to put their minds as well as their hands into their work." He is also convinced that greater leisure time will stimulate consumption and so increase trade and employment.

Since Mr. Ford first made this startling announcement, the employees of many industries have been placed upon similar schedules. Today the forty-hour maximum is almost invariably written into collective agreements in the iron, steel, timber, rubber, metal mining, petroleum, and aluminum industries, and is predominant in cement manufacturing and in many types of fabrication.²² Though somewhat less customary in union agreements than the eight-hour day, the five-day week is even more common than the forty-hour week because in some industries, such as glass, clothing, coal mining, and newspaper publishing, the

20. U. S. Bureau of Labor Statistics, "The Five-Day Week in the Ford Plants," *Monthly Labor Review*, vol. 23, December, 1926, pp. 1162-6.

21. *Ibid.*, p. 13.

22. *Ibid.*, "Hours of Work Provided in Collective Agreements in 1937," vol. 46, February, 1938, pp. 341-8.

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work week is even shorter, ranging from thirty-five to thirty-seven and one-half hours in length.²³ The five-day week is general in construction, fabrication (except for stoves, pottery, and glassware), food, clothing, and basic-materials industries, and to a lesser degree in printing and publishing, public utilities, and merchant tailoring. But retail trade employees and office workers are still usually expected to put in a five-and-one-half- or six-day week. Their numbers, however, are constantly on the decline, and the five-day week is slowly becoming an accepted standard throughout the United States.

Quite apart from the beneficial results suggested by Mr. Ford the five-day week is likely to prove economically profitable because of the relatively low productivity of the Saturday half- or full-day shift. The expense of starting and stopping operations for so short a time, the relatively low efficiency of the workers, and the tendency to absenteeism have long been recognized as factors in favor of the five-day week. The remarkable increase in the productivity of American industries in recent years has encouraged endorsement of this shorter week, partly because many are convinced that the nation can produce as much as under the longer one and partly because the five-day week will tend to provide employment for workers who are being displaced as a result of increased technical efficiency.²⁴ For some time agitation for the five-day week of forty hours overshadowed the movement for the six-hour day, which was endorsed by the American Federation of Labor at its 1919 convention. But the years following 1933 have witnessed an increased tendency toward what may well prove to be a five-day week of thirty hours. Labor leaders have found allies in progressive employers and governmental officials, with the result that the shorter working week has recently experienced an unexpectedly rapid growth in the United States.

23. *Ibid.*, p. 341.

24. For a summary of opinion regarding the five-day week see: "Coming: A Five-Day Working Week," *Literary Digest*, vol. 96, March 31, 1928, pp. 12 ff.; and Professor T. N. Carver's penetrating theoretical analysis entitled, "Theory of the Shortened Working Week," in the *American Economic Review*, vol. 26, September, 1936, pp. 451-62.

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Questions for Class Discussion

1. Why is it true that long hours of labor do not pay? What have been the important social and economic consequences of shorter working hours?
2. Why do night shifts and overtime usually carry a relatively higher rate of pay than regular day shifts? Is this economically justifiable?
3. Explain fully just how it has been possible to reduce the average number of working hours in American industries so drastically during the past century, and at the same time experience the substantial increase in daily and yearly productivity which has been the case in this country. How long can this trend continue?
4. The average per capita full-time hours of work per week in the steam railway industry has been lowered but once during the past fifty years, but averages for the manufacturing, building trades, and bituminous mining industries have changed several times, dropping markedly since 1929. Why is this so, and what do you think has been the influence of organized labor upon changes in the lengths of the working week in these industries?
5. From the theoretical point of view, state the limit below which hours of labor per day or week will not tend to fall. Is this theoretical lower limit likely to be the practical limit also?
6. What would tend to be the influence of protective hour legislation (or the lack of it) in foreign nations upon the length of the working day in this country?
7. What would you expect to be the result of an arbitrary and uniform reduction in the hours of labor in American industry to the thirty-hour week? Who, in the final analysis, would bear the cost of such a reduction, and why? Can you see any possible way in which labor itself might be called upon to shoulder the brunt of such a reduction?
8. If there is but little hope of absorbing a large part of the present army of unemployed, in view of ever-appearing technological changes, unless hours of work per day are reduced, what forces tend to hinder the immediate application of this program of meeting the unemployment problem?
9. Many scientific observations have established the fact that workers may, under certain circumstances, actually produce more at the end of a seven-hour day than at the end of an eight-hour day. How can this be? Under what conditions might they produce more at the end of a six-hour shift than after seven hours of work? Under what circumstances might they produce equal amounts during both shifts? When might they actually produce less?
10. At what point does an entrepreneur find that it is more profitable

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(relatively speaking) to build on an expensive addition to the plant and equip this new space with modern machinery than to run three shifts of laborers in the older plant without making any new capital outlays? When would it be cheaper to run two shifts than to make these additions? What economic principles are herein involved? What artificial influences are encountered?

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Chapter 12

THE PROBLEM OF HUMAN WASTE

¶ THE HUMAN FACTOR IN PRODUCTION. During the nineteenth century industrial development proceeded so rapidly in Europe and America that the necessity of protecting and conserving the human element in production was scarcely recognized by most employers. Economy in the application of capital and replacement of worn-out machinery received careful consideration. Widespread interest in the conservation of natural resources in America developed under the leadership of Theodore Roosevelt. Waste of human life, accumulation of fatigue, and destruction of health in industry received no such attention, and only in recent years, often under the compulsion of law, have the buyers and users of human labor recognized with any degree of intelligence the relation between the worker's health and his ability and efficiency.

Because they are convinced that a definite relation exists between the health of the workers and their efficiency in production, employers are beginning to take an interest in preventive medicine, personal and social hygiene, factory sanitation and safety, emergency surgery and first aid, laboratory tests and hospital care, dental prophylaxis, mental hygiene, and other protective measures. Insistent demand for increased output, reduction of labor turnover, and a stabilized employee force is resulting in increasing protection of the worker. Careful husbanding of human resources in industry, however, is likely to characterize periods of industrial prosperity when labor is scarce but not periods of industrial depression when labor is abundant. Society, therefore, cannot leave entirely to the employers the important business of safeguarding the worker's health and life. Industrial accidents, occupational diseases, old age, child welfare, and ordinary ill health are social problems and not matters of private concern only.

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Since protection of the nation's workers is the foundation of economic efficiency and social progress, there is no more serious phase of the labor problem than the waste of human health and life in industry. In describing this problem some years ago, John Mitchell stated:¹

While the bread of the laborer is earned in the sweat of his brow, it is eaten in the peril of his life. Whether he works upon the sea, upon the earth, or in the mines underneath the earth, the laborer constantly faces imminent death; and his danger increases with the progress of his age. With each new invention the number of killed and injured rises. . . . Many are killed without violence; thousands of wage-earners lose their lives in factories, mills, and mines without the inquest of a coroner. The slow death that comes from working in a vitiated atmosphere, from laboring incessantly in constrained and unnatural postures, from constant contact of the hands and lips with poisonous substances; lastly, the death which comes from prolonged exposure to inclement weather, from over-exertion and under-nutrition swells beyond computation the unnumbered victims of restless progress.

EXTENT OF INDUSTRIAL ACCIDENTS. In the United States accurate and complete statistics of industrial accidents and occupational diseases are not available, although, with the spread of compulsory workmen's compensation laws, an increasing volume of such information is becoming accessible. Many estimates have been made by those who have conducted special investigations. According to estimates made by the National Safety Council, 16,000 persons met death by accident while at work throughout the United States during 1939.² Approximately 1,300,000 workers received injuries involving permanent or temporary disability. Out of the total number of industrial fatalities in 1938, some 4300 (26 per cent) occurred in the agricultural industries; 4000 (24 per cent) in the trades and services; 2700 (17 per cent) in the comparatively hazardous construction industries (accounting for only 3 per cent of the total number employed in all industries); 2000 (12 per cent) in transportation and public utilities; 2000 (12 per cent) in manufacturing, where about one-fourth of all employees are working;

1. John Mitchell, "Burden of Industrial Accidents," *The Annals of the American Academy of Political and Social Science*, vol. 38, July, 1911, pp. 76, 77. Quoted with permission of the publishers.

2. National Safety Council, *National Safety News*, March, 1940, p. 176.

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and 1500 (9 per cent) in mining, quarrying, oil and gas, and similar operations.³

Accidents that do not cause loss of time beyond the day in which they occur are not included in these totals. Their inclusion would swell the figures greatly. The relative degree of physical risk in the principal American industries during 1934 is indicated in Table 37, which presents the combined records of 3866 industrial units reporting to the National Safety Council. Rates for all the units reporting are 15.29 per 1,000,000 man-hours for frequency, and 1.70 per 1000 man-hours of exposure for severity. The rates for 1938 were 12.18 (frequency) and 1.53 (severity) respectively. As these data clearly show, the rates for individual industries vary widely, ranging from 3.13 (tobacco) to 83.83 (lumbering) for frequency, and from 0.05 (tobacco) to 10.19 (mining) in severity.

Appalling as are the losses in war, through the years they probably do not equal the sacrifices in industry, of which the world takes little or no account. This is emphasized by the fact that during the ten-year period ending January 1, 1938, no less than 150,000 workers were killed by industrial accidents in this country alone.⁴ American industry, moreover, compares unfavorably with other advanced industrial countries. In proportion to population our accident rates are said to be twice those of any other country in the world.⁵ This discreditable situation is partially explained by our excessively speeded-up production. Some industries are more responsible than others for the volume of accidents. Metal and coal mining are the most hazardous occupations, while the electrical industry, railroading, quarrying, lumbering, and navigation appear among those which exact heavy tolls in suffering and life.

CAUSES OF INDUSTRIAL ACCIDENTS. Industrial accidents fall into two general categories: namely, "machinery accidents," or those resulting from

3. National Safety Council, *Accident Facts*, 1939 edition (Chicago), p. 13; also see U. S. Bureau of Labor Statistics, *Monthly Labor Review*, vol. 48, March, 1939, p. 597, and vol. 49, October, 1939, pp. 869-81.

4. National Safety Council, *op. cit.* (1938 edition), p. 53.

5. W. H. Cameron, "Organizing for Safety Nationally," *The Annals of the American Academy of Political and Social Science*, vol. 123, January, 1926, p. 30.

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TABLE 37
INJURY FREQUENCY AND SEVERITY RATES OF 3,866 INDUSTRIAL
UNITS REPORTING TO THE NATIONAL SAFETY COUNCIL FOR
1934, BY INDUSTRY

Industry	Number of Units	Man-Hours Worked (thous.)	Frequency Rates (per 1,000,000 Hours' Exposure)	Severity Rates (per 1,000 Hours' Exposure)
All industries ^a	3,866	4,343,740	15.29	1.70
Automobile	57	216,346	22.24	1.28
Cement	114	29,866	6.50	3.89
Chemical	254	217,509	10.30	1.81
Clay products	41	12,008	24.82	1.80
Construction	84	105,730	31.89	4.32
Electric railway	49	96,196	19.29	1.83
Food	342	245,547	16.42	1.18
Foundry	95	50,300	23.42	2.21
Glass	43	50,079	9.84	1.04
Laundry	36	8,546	5.03	0.83
Lumber	44	19,825	83.83	4.80
Machinery	275	356,878	9.33	0.83
Marine	55	108,715	12.14	1.85
Meat packing	76	168,108	38.62	1.46
Metal products, misc.	160	112,725	15.02	1.41
Mining	168	63,264	51.45	10.19
Nonferrous metals	57	84,777	10.30	1.46
Paper and pulp	216	143,277	19.07	1.95
Petroleum	128	605,390	14.31	1.69
Printing and publishing	47	24,923	6.38	0.89
Public utilities	613	651,273	10.54	1.68
Quarry	135	11,187	17.34	3.53
Refrigeration	71	21,645	27.67	0.78
Rubber	48	133,880	9.25	0.80
Sheet metal	184	124,949	14.07	1.30
Steel	116	361,323	10.81	2.20
Tanning and leather	64	48,697	15.36	0.95
Textile	152	167,044	9.73	0.60
Tobacco	23	19,513	3.13	0.05
Woodworking	100	28,553	14.99	0.91

^a Include miscellaneous industries, not shown separately, and eliminate duplication between marine and petroleum industries.

SOURCE: U. S. Department of Labor, *Handbook of Labor Statistics*, Bulletin no. 616, 1936, p. 280.

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inadequate safeguards of machines in industry; and "nonmachinery accidents," or those resulting from causes other than insufficient protection. Broadly speaking, these categories consist of what may be termed "subjective factors" and "objective factors." Subjective factors comprise those of personal origin, such as nervous and muscular co-ordination in relation to speed of production, fatigue, psychical influence, nutrition, alcohol consumption, and carelessness. The second set of conditions includes those arising from external forces not directly under the control of the employees, such as lighting, temperature, humidity, ventilation, defects of machinery, and the absence of protective devices.

In so far as accidents arise from the absence of proper safeguards, the causes may be eliminated by strict enforcement of factory laws that specify what protective appliances shall be installed. Frequently, however, there is a lack of standardization of these safeguards, and much controversy arises between state factory inspectors and the employers as to what may be considered dangerous machinery. Employers often argue that safety devices add heavily to the expense of operation. The employer is thus a responsible factor in the causation of industrial accidents in so far as he fails to make provision against them. The rapid development of machinery and machine processes often makes it difficult for the employer to take every necessary precaution for the safety of his employees. Sometimes, moreover, the employer is ignorant of or indifferent to the dangers that exist.

If complete information were available, we should probably find that the greater number of accidents in industrial communities is caused, not by the absence of adequate safeguards, but by negligence, carelessness, want of instruction, want of thought, and a lack of appreciation of the dangers involved in the complex and intricate machine processes in modern industry. Safety engineers have concluded that 98 per cent of all industrial accidents are preventable, being caused by faulty supervision. The workman himself, by his carelessness, may be responsible for a large percentage of accidents, or the negligence of his fellow workmen may be an equally accountable factor. Some investigations have led to the conclusion that the majority of industrial accidents is avoidable and that "accidents depend in the main on carelessness and lack

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of attention of the workers." Although this conclusion may be seriously challenged, it suggests some significant factors of the problem.

Inexperience and length of service are prominent causes of high accident frequencies in industry. In a study of workers' length of service as a causative factor in accidents recently made by a large oil company for the American Petroleum Institute, it was found that one-sixth of the employees had been in the service of the company for less than one year, but this group accounted for one-third of the total number of disabling accidental injuries. On the other hand half the employees had been with the organization over five years, but this group accounted for less than one-third of the total number of disabling accidental injuries.⁶ Not infrequently industrial workers take risks and expose themselves to dangers in a spirit of braggadocio. Speed of production is an extremely important factor in accident causation and often the most important factor of all. Technical changes that increase speed of production inevitably tend to a more than proportional increase in accidents. The same is true of excessive fatigue. Muscular inaccuracy inevitably increases as fatigue, or exhaustion of energy-yielding material in the muscles, takes place. Finally, the size of the enterprise, as well as the type of industry, has been found to influence the frequency and severity rates of industrial accidents. The largest organizations (with presumably better safety regulations, facilities, and instruction and supervision) have the lowest rates, and the medium and small-sized enterprises experience the highest rates.⁷

THE COST INVOLVED. The direct and indirect cost of accidents cannot be expressed in monetary values, nor can it be measured even approximately in any quantitative terms. The sacrifice and suffering experienced by the workers and their families as a result of the more than 16,000 fatal and hundreds of thousands of nonfatal accidents in American industry every year are beyond comprehension. The social and economic wastes are enormous. The number of days lost as a result of accidents approximates 200 million per year, with an estimated direct

6. Max D. Kossoris, "Industrial Injuries and the Business Cycle," U. S. Bureau of Labor Statistics, *Monthly Labor Review*, vol. 46, March, 1938, pp. 579-94.

7. National Safety Council, *op. cit.*, p. 65.

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wage loss during 1938 amounting to 470 million dollars.⁸ To this total must be added an estimated medical expense of 75 million dollars and an estimated overhead cost of insurance of 100 million dollars, making an estimated total direct cost during 1938 of approximately 650 million dollars.

These figures do not take into account the expenses incurred by injured workmen who are not paid by the employer or insurance company, the overhead cost of personal accident insurance carried by the workmen themselves, the cost of training new men to take the places of those who are injured, and the cost of the activities of employment and welfare departments in keeping in touch with the injured employees and their families. The addition of these items of expense would probably increase the total to a figure far in excess of a billion dollars a year.

The sum would be much greater still if cognizance were taken of the direct and indirect losses in production resulting from the slowing up or the stoppage of work when accidents occur. The cost of workmen's compensation alone suggests the financial burden of industrial accidents. Even at the present inadequate rates of compensation, which in most states do not exceed 50 per cent of the wage loss, an estimated total of 250 million dollars a year is paid out in compensation for accidents by the employers of the United States.⁹

Such statistics as these do not measure the economic and social losses that result from the temporary and permanent destruction of earning power of the wage-earning class and of the nation. There is reason to believe that, all items included, the total financial cost of industrial accidents in the United States approximates, or possibly exceeds, 2 billion dollars.¹⁰ "Considered from this point of view the accident problem assumes serious and far-reaching social and economic importance in

8. *Ibid.* (1939 edition), p. 57.

9. U. S. Bureau of Labor Statistics, "Cost of Industrial Accidents to the State, the Employer, and the Man," Bulletin no. 536, 1931, pp. 171-9; and *Handbook of Labor Statistics*, *op. cit.*, p. 279.

10. I. S. Falk has estimated that the full cost to employers and employees is not far from 5 billion dollars annually (*Security Against Sickness* [Doubleday Doran, 1936], p. 299).

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that on the one hand the loss of life constitutes a serious curtailment of the nations' productive efficiency, while on the other a heavy and costly economic burden results from the required support of those who, deprived of the earnings of the bread-winner, become a public charge."¹¹

THE PHYSICAL CONDITIONS OF EMPLOYMENT. Occupational hazards to health comprise extremes of temperature and humidity; excessive speed and strain; poor posture over work; improper or inadequate lighting facilities; impure, compressed, or rarefied atmosphere; dangerous bacteria; and dangerous gases, acids, noises, and dusts. Excessive hours of employment, especially during the night, tend to produce fatigue, irritation, and sickness. Great muscular strain, such as the lifting of heavy weights and prolonged standing, may result in rupture or varicose veins. Heavy work produces organic diseases of the heart. When workers toil in cramped positions, healthy action of the lungs and heart is impossible; and when they work in ill-ventilated offices, factories, and mines, their energy and physical capacity are undermined.

Polluted atmosphere is now recognized as one of the main causes of industrial ill-health. Extremes of temperature or humidity may be as detrimental as poor ventilation. The air, even if fresh, may be too hot or too cold, too humid or too dry, thus conducing to bodily discomfort and inefficient work. Respiratory diseases are prominent where the worker is exposed to cold, drafts, and dampness, or where there are violent changes in temperature. Imperfect or inadequate lighting is a factor of great significance in producing eyestrain, headache, and inaccuracy. Ineffective supervision and lack of efficient organization often lead to a state of mind that proves to be damaging to the body and wasteful to effective productive activities.

OCCUPATIONAL DISEASES. Occupational disease may be defined as any illness arising out of and in the course of employment.¹² Ordinary diseases of life to which the general public is exposed outside of employment and which are not the results of occupational activity are not

11. Dr. Frederic L. Hoffman, "Industrial Accident Statistics," U. S. Bureau of Labor Statistics, Bulletin no. 157, March, 1915, p. 17.

12. U. S. Bureau of Labor Statistics, "Occupational Disease Legislation Enacted in 1937," Bulletin no. 652, 1938, p. 62.

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usually included as occupational diseases. The problem of occupational disease today is no less serious than that of industrial accidents. Indeed, industrial diseases are likely to prove the more serious, since they are not easily detected. The economic importance of this problem is found in the relation of occupational diseases to industrial efficiency. Physical strength and vigor are the basis of productivity, and anything that impairs the health and vitality of the nation's wage earners inevitably results in a diminution in national efficiency.

Certain trades and occupations are distinctly more unfavorable to health and longevity than are others. Tuberculosis of the lungs has been found to be the most prevalent cause of death for all occupations combined, and the inhalation of metallic dust is regarded as the most serious health hazard in the causation of pulmonary tuberculosis and other respiratory diseases. The close relation between the use of lead in certain industries and the high proportion of mortality from lead poisoning is generally recognized. Such poisoning is common in the printing trades, where the air is contaminated with lead dust. Lead and arsenic poisoning in the manufacture of paint is a common cause of serious illness. In lead poisoning, death frequently results from apoplexy. Metal mining, where the mines are extremely difficult to drain and ventilate and where the dusts are composed of sharp, angular particles, often of a poisonous nature, exposes the miner's health and life to great dangers. In coal mining similar hazards prevail. Dust particles lodge in the air passages and in the lungs, gradually inducing a chronic disease of these organs.

The results of many scientific investigations into the causes and extent of occupational diseases have appeared in recent issues of professional journals and publications of the United States Public Health Service and the United States Department of Labor. Cadmium poisoning, now appearing as an occupational disease caused by cadmium plating, has been known to medical science for over seventy years. Cadmium is a white metal which is capable of taking a high polish, and upon being heated in the air burns readily, giving off a brown fume known as cadmium oxide. The most common form of industrial poisoning for which it is responsible is the acute form of respiratory

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poisoning arising from exposure in the manufacture and handling of compounds. Carbon tetrachloride, commonly used as a fire-extinguishing agent and as a solvent, injures the skin; causes irritation of the eyes, nose, and throat; produces nausea, dizziness, and headaches; and with prolonged illness may injure the general health to the point of causing death.

Ethylene oxide is a colorless gas possessing a mildly sweet odor, which, in prolonged amounts, is extremely injurious to health. Hydrocyanic acid is absorbed through the skin, producing first symptoms of marked dizziness, weakness, and throbbing pulse, and in excessive amounts is capable of causing early death. Miners' nystagmus, or involuntary oscillation of the eyeballs, is the result of inadequate illumination and is suffered chiefly by underground workers. Nitrocellulose lacquers, used for spray, painting, and dipping, have introduced new fire hazards, and are toxic or narcotic if inhaled in sufficient amounts over long periods of time. Pulmonary asbestosis and silicosis, caused by the inhalation of asbestos and silica dusts which produce lesions in the subcutaneous tissues of the lungs, contribute to the growth of tubercle bacilli and are thus among the most dangerous of all occupational diseases.

For many years the danger of the development of chronic silicosis after a lengthy exposure to silica dust has been known, but only recently has the hazard of short exposure been recognized. Citation of two specific cases of acute silicosis may serve to illustrate the extremely hazardous nature of dust-breathing occupations:¹³

The first case reported is that of a young man who was employed in November 1928 to mix dry silica and soap in an open machine. No protective measures were taken and he worked, therefore, in a very dusty atmosphere. He continued at this work without protection, and in the summer of 1930 an irritative dry cough and labored breathing developed. These symptoms became rapidly worse, and in January 1931, 26 months after beginning employment in this plant, he was incapacitated for work. An X-ray of the chest at that time showed advanced silicosis. The case was reported to the authorities and in March the machines in the plant were

13. U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, 1936 edition, *op. cit.*, p. 346.

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condemned and production stopped. Upon admission of the patient to the hospital in October 1931, tests for the presence of tubercle bacilli were negative but the roentgenograms showed that the middle four-fifths of both lung fields were obliterated and that only the apexes of the lungs and the portions just above the diaphragm were receiving air. The patient was placed in an oxygen tent to relieve the labored breathing but lived only 18 days after entering the hospital. At autopsy the lungs were found to be about half the normal size, the middle portions of the lungs being shrunken and fibrotic and of almost the hardness of stone. Upon being cut, these parts of the lung were found to be very firm and gritty.

The second case was that of a middle-aged workman who had been employed for 10 years as a foreman in the same plant prior to being placed in charge, in December 1926, of two new machines used to mix silica and soap. He assisted in the operation of these machines but spent several hours daily in other parts of the plant. Eight months later difficult breathing and a cough developed, which progressed until he was capable of only a limited amount of work. In June, 1930, he was seriously ill with pneumonia, his case requiring a long period of convalescence, and in December 1931, after contracting an ordinary cold, he was admitted to the hospital. No tubercle bacilli were found in the sputum, but an X-ray of the chest showed that the upper two-thirds of the right lung were dense and slightly mottled, and that there were also areas of denseness in the left lung. The findings of the examination indicated advanced silicosis. Death occurred about a week after admission to the hospital but an autopsy was not obtained.

In 1928 examinations were given to a number of workers in the mining fields of Oklahoma, Kansas, and Missouri. Of the 7722 miners examined, 1647, or 21.3 per cent, were found to have contracted silicosis. Of this number 267 were diagnosed as having silicosis complicated with tuberculosis, and 104 were found to have silicosis without tuberculosis. Only 2999 of the men examined were still at work in the mines the following year.¹⁴

Radioactive substances often cause malignant growths, which finally lead to a serious break in the health of the worker. Such complications are quite common among those who at some time have been employed as radium-dial painters and who by careless habit, having worked for periods up to four years in this classification, have learned to point their brushes by placing them in the mouth. In one New Jersey

14. *Ibid.*, p. 349.

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plant over eighteen known deaths have already been recorded among former dial painters, and thirty others were known to be suffering from typical symptoms and were thus susceptible to crippling or fatal lesions at any moment. In explaining how insignificant such a hazard might appear at first, it has been stated that "a milligram of radium bromide is not much larger than a small grain of sand. One microgram is only one-thousandth as large, is invisible, and cannot be detected by any known chemical method. It is necessary to have only ten micrograms, or one-one-hundred-thousandth of a gram, distributed over the entire skeleton to produce a horrible death years after it has been injected." Dr. Harrison S. Martland states:¹⁵

In a radioactive dial-painter who has, for example, 10 micrograms of radioactive substances deposited as insoluble sulphates in the entire skeleton, there are constantly being ejected about 370,000 space-occupying alpha particles a second, with a speed approximating 18,000 miles per second. This bombardment which I have designated as an internal bombardment is continuous, and will last for an indefinite period. For instance, in the year 3491 A. D. the skeleton will still be giving off 185,000 alpha particles per second.

This is, admittedly, a rather sensational type of occupational disease, yet it serves to show the importance of effective controls. Other diseases and poisons include skin diseases from Brazilian walnut wood, sulfur dioxide poisoning, special occupational diseases in the wood industry, lead poisoning from printing, and vitreous enameling poisons. Concerning the last-named occupational disease, a report on the hazards to which women are exposed in enameling work in the stove industry made by the United States Department of Labor states, in part:¹⁶

Over 50 per cent more sprayers than brushers complained of a metallic or sweetish taste; indigestion, constipation, and menstrual disturbance. Other findings are that illness among sprayers with symptoms suggestive of lead poisoning was more prevalent than any other form, although in general industrial experience the common cold always leads in frequency. The sprayers had a higher rate of absences due to ill health than had the brushers, 18.5 per cent of the sprayers who left work doing so because of illness, while only 8.8 per cent of the brushers gave illness as the cause. A rather

15. *Ibid.*, p. 344.

16. *Ibid.*, p. 353.

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ominous finding is this:—That among the sprayers, those between 16 and 18 years yielded the highest percentage of illness suggestive of lead poisoning.

THE SOCIAL AND ECONOMIC WASTE OF ILLNESS. Workmen's compensation laws now provide at least some measure of protection against the hazards of industrial accidents and occupational diseases, but only a negligible portion of American workers are protected against wage and income losses resulting from the large volume of disability not directly associated with the performance of daily work. The 42 million persons gainfully employed in the United States are said to lose on an average about nine days annually from illness disabilities, including nonindustrial accidents and ordinary sickness. This means a total of 380 million workdays a year.

That the heaviest cost is sustained by those within the low-income groups is suggested by the fact that persons in relief families lose sixteen days per capita annually from sickness and accidental injury, while for those above the \$2000 income level the figure is only seven days.¹⁷ The economic waste from preventable disease and death is said to be 2 billion dollars among those classed as gainfully employed. Of this amount over 900 million dollars represents the loss to industrial wage earners in the form of wages, and approximately as much more is lost through the necessity for securing medical services.¹⁸ Almost 4 per cent of the earnings of the average worker has to be spent for medical services, and another 3 per cent is forfeited as lost wages during illness periods.¹⁹

An investigation made some years ago²⁰ resulted in the conclusion that "this loss could be materially reduced and have an economic balance in the working population alone, over and above the cost of prevention,

17. Testimony of Dr. Thomas Parran, Surgeon General of the United States, presented before a U. S. Senate Subcommittee of the Committee on Education and Labor, June 2, 1939.

18. See the Committee on Economic Security, *Report to the President*, (Washington, 1935).

19. Paul A. Dodd and E. F. Penrose, *Economic Aspects of Medical Services*, (Washington, Graphic Arts Press, 1939), p. 146.

20. Committee on Elimination of Waste in Industry, Federal American Engineering Societies, *Waste in Industry*, 1921, p. 21.

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of at least \$1,000,000,000 a year." In a recent investigation made among 251 firms employing 140,972 workers in California, only 45 per cent were found to receive payment of any kind whatever during illness periods, and most of these received only partial payment toward wage losses, or full payment over only a small part of the period of disability.²¹ Statistics on absences due to sickness do not completely measure the continuous undermining of the workers' health, since large numbers of them do not absent themselves from work even when physically indisposed.

A witness before the Senate Committee conducting a hearing on the proposed National Health Program recently stated that the city of New York has the relatively low death rate of 50 per 100,000 (1938) from tuberculosis. In commenting upon this statement, and upon the general health of the nation, Dr. Thomas Parran, Surgeon General of the United States and Director of the United States Public Health Service, testified:

Yet in one borough of New York in a health center district of several hundred thousand people there was last year a tuberculosis death rate of more than 250, five times the city average. Among unskilled and semi-skilled male workers in 10 states in 1930, deaths from tuberculosis were exceeded only by those from diseases of the heart; among professional men in these states tuberculosis ranked sixth in importance as a cause of death. In a group of 14 southern states in 1931-1933, respiratory tuberculosis ranked third in importance as a cause of death among Negroes, but occupied eighth place among the white population.

No nation can look with complacency upon this persistent destruction of its human power. The health of the worker and of the worker's family are natural resources which society must preserve if its individual members cannot or do not do so alone.

RESPONSIBILITY OF EMPLOYERS AND EMPLOYEES. Although employers appreciate more than ever before that the safety, health, and contentment of their workers are as important a business requirement as the quality of goods they produce, and although workers are better edu-

21. Paul A. Dodd (Director), *California Medical-Economic Survey*, (San Francisco, California Medical Association, November, 1937), p. 168.

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cated than ever as to health risks in industry, both of these groups are still largely responsible for the prevalence of human waste from occupational diseases and sickness. Large numbers of establishments are lacking in protective measures against occupational hazards and common ailments. Legal action must often supplement the persuasion of health inspectors in removing these dangers.

Employees are often responsible for contraction of disease because of the failure to make use of protective devices or because of their ignorance of the health hazards inherent in certain industries. This phase of the problem has been accentuated by the influx to American industries of southern and eastern Europeans who too often do not read warnings against imminent danger, even when printed in their own language.

It should not be implied that all diseases are under the control of employers and employees, for no matter how much care and intelligence may be exercised, there is an irreducible minimum of disease incident to modern industry. There is still much illness and suffering that lies outside the direct influence of the place of work.

INDUSTRIAL FATIGUE. Industrial fatigue means a decrease in productive power and efficiency resulting from prolonged and intense activity in some occupation. Physiologically speaking, fatigue is the failure of the structures of the body to perform their proper functions because of physical and chemical changes that have taken place within those structures. This failure to function is caused by the accumulation of poisonous waste in the human organism, which prevents the creation of sufficient energy to maintain normal productive capacity.

The manifestations of fatigue are unmistakable. When a condition of fatigue sets in, even though the worker is not conscious of any pain or weariness, work is done in a more disorderly, inaccurate, and inefficient manner, resulting in decreased output. The true sign of fatigue, therefore, is a diminution in productivity that is revealed objectively by a reduction of output even before it is recognized subjectively by the worker. Reduced physical capacity and loss of resistance to disease or an unsatisfactory environment are the results of persistent fatigue,

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which are further reflected in records of sickness or broken time and of the number of accidents experienced.

The causes of fatigue are many. They consist of conditions which, though common, are frequently unrecognized in modern industrial activities. Prominent among them are concentration of intelligence, observation, and attention upon some particular task; varied distribution of attention and wide responsibility necessitated by attendance upon several machines; sustained use of special senses and sense organs in discrimination, especially in occupations requiring a high degree of skill and accuracy; and continuous employment at some task which, though it may be performed automatically, results in excessive monotony. Prolonged standing and the lifting of heavy weights, especially in the case of women, create fatigue and tend to sap the strength. Among the other important causative factors in fatigue are excessive hours of labor, undesirable and unsanitary working conditions, the tendency to speed up workers beyond their normal capacity, undernutrition and malnutrition caused either by insufficient wages or by ignorance of proper dietary requirements, bad housing conditions, inadequate or improper lighting, impure or rarefied atmosphere and extremes of temperature, and awkward positions necessitated by certain employments. Thorough investigations have led to the conclusion that fatigue naturally occurs earlier in underpaid, underfed persons, and that the secondary results of overstrain, including sickness, are most common and excessive among this class of workers, which is composed mainly of women and girls.²²

The costs of fatigue are expressed in terms of its effect upon health, longevity, safety, the supply of labor, the stability of employment, industrial good will and contentment, and productive efficiency—including alertness, speed, accurate work, and minimum waste of materials—as well as upon output and profits. It has been estimated that the

22. See, for instance, the results of an actual experiment conducted by an eastern manufacturing company in reducing the work shift for women from 8 to 6 hours a day, as recorded in the U. S. Women's Bureau, "A Study of a Change from 8 to 6 Hours of Work," Bulletin no. 105, (Washington, 1933), pp. 7-8.

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monetary loss attributable to industrial fatigue in the United States runs into billions of dollars annually. There is reason to believe that the economic waste from undue fatigue is almost as great as the waste from poor physical health.

FATIGUE AS A FACTOR IN INDUSTRIAL ACCIDENTS. Although the problem of industrial fatigue is essentially one of fatigue in the nervous system and its effects on general efficiency, there is still another important phase of the problem to which consideration must be given, namely, the relation of fatigue to industrial accidents. That fatigue, which is the expression of a poisoned organism, inevitably results in reduced resistance to disease is not difficult to understand. Fatigue as a causal factor in industrial accidents may not be so apparent.

In recent decades, however, evidence that such a relation exists has been accumulating. Both in Europe and in the United States official investigations have shown that accidents tend to increase progressively with the hours of labor during the morning, to decrease in the hours immediately following the noon period, and to increase again toward the latter part of the afternoon. Investigations in the United States warrant a number of conclusions. The accident rate varies with the rate of production, being highest when production is highest and lowest during the hours of lessened production. The length of employment bears an inverse ratio to the number of accidents. Fatigue is recognized as having a direct bearing upon the increase of accidents in a given long workday. Increasing speed of production, the accumulation of fatigue, and anticipation of pleasures to follow the day's work are responsible factors in increasing accidents toward the end of the working day.²³

EMPLOYERS' LIABILITY AND THE PROBLEM OF ACCIDENTS. The interests of the wage earner, however, can hardly be entrusted completely to the good will of the employer. Here, as elsewhere, legislation may aid materially. The common law imposed upon the employer the duty of

23. See particularly H. M. Vernon's *Industrial Fatigue and Efficiency*, (London, George Routledge and Sons, 1930), chap. 6; and the U. S. Bureau of Labor Statistics, "Studies of Health and Working Conditions," Bulletin no. 541, 1931, pp. 370-2.

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exercising care in safeguarding his employees from injury, that is, the provision of a safe place of employment, safe tools and equipment, intelligent and adequate supervision, and competent fellow workers. Having taken these precautions, the employer was freed from responsibility for injuries arising from the ordinary risks of the occupation, the extraordinary dangers of employment, the carelessness and negligence of fellow workmen, and the worker's own carelessness and negligence. These are usually known as the principles or defenses of the common law governing the liability of employers for industrial accidents.

The application of unmodified common-law doctrines of employers' liability imposes immeasurable hardships upon the injured workman and his dependents and results in great injustice. In spite of any precautions that employers may take, numerous accidents occur in the complex processes of machine industry. Wage earners must work to live and are not economically free to refuse employment on account of actual or potential risks connected with the job, even though they may be fully aware of such dangers. To make them both physically and financially responsible for implied or assumed risks is manifestly unjust. That principle is equally indefensible which allows the workers to bear the burden of accidents resulting from the negligence of fellow servants whom they do not choose and for whose actions they cannot be responsible. Contributory negligence is difficult to prove and results in prolonged and expensive litigation. Employers have, moreover, often abused this doctrine by attributing all accidents to the injured workman's own carelessness.

The application of common law rules results in enormous financial waste. To secure damages the injured workman must resort to a suit at law. Here he is at a decided disadvantage because litigation is expensive and the outcome always uncertain. Employers have been able to escape the burden of damages by engaging liability insurance companies to carry the risks in return for the payment of a stipulated annual premium. It is to the advantage of these companies to oppose the injured workman's claim, and this they do successfully by employing expert legal advice. The worker cannot afford to engage expert at-

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torneys and defeat is almost inevitable. Should the worker win his suit, the amount of damages that actually reaches him is pitifully small. It has been estimated that out of every \$100 paid by the employer as a premium, only a small fraction reaches the injured employee, and this only after a period of litigation of from two to six years. It is not surprising that comparatively few injured workmen contest their cases under the common law.

A simple citation from the record of the past emphasizes the deficiencies of the common law principle. Some years ago in the city of Pittsburgh 235 families of wage earners accidentally killed while on duty between 1906-1907 were made the subject of special investigation. An examination revealed that 59 of these families received no compensation whatever for the death of the breadwinner; 65 received less than \$100 each; 40 were paid between \$100 and \$500 each; 40 were paid from \$500 to \$2000, and 31 were fortunate enough to receive as compensation more than \$2000 each.²⁴ Half of the married workers left no insurance at all; only 7 per cent left insurance of more than \$2000 to their families.

THE HEALTH PROBLEMS OF THE WORKER AND HIS FAMILY. Human waste in industry takes place not alone as a result of industrial accidents and so-called industrial diseases. Untold losses result also from the poor health and sickness of the wage earner and his family. The economic and social costs of illness throughout the nation are stupendous, amounting approximately to 10 billion dollars annually, equaling 12 to 15 per cent of the total national income.²⁵ This total loss includes the combined costs of health services and medical care, loss of wages through sickness disability, and loss of potential future income through premature death. Every year seventy million sick Americans lose over a billion days from work or other customary activities.²⁶ About half of this period involves loss of work because of illness, and

24. Russell Sage Foundation, *Work Accidents and the Law*, (New York, 1916), pp. 119 ff.; cited in H. A. Millis and R. E. Montgomery, *Labor's Risks and Social Insurance*, vol. 2, p. 189.

25. Interdepartmental Committee to Coordinate Health and Welfare Activities, *Report of the Technical Committee on Medical Care*, (Washington, 1938), p. 1.

26. *Ibid.*, p. 1.

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is shared by three broad age groups. Persons between the productive ages of fifteen and sixty-four, inclusive, are disabled on the average of nine days each year. Those under fifteen years of age experience an average of six days of disability annually; those sixty-five or over are disabled approximately thirty-three days each year.²⁷ But the greatest of all disability causes, as has previously been suggested, is illness not directly associated with occupational injury or disease.

One health problem of the worker and his family centers around the difficulty of gaining adequate services when health facilities are unavailable or inadequately distributed in his community. Many different agencies help to make up these facilities in a given community. In some districts no hospitals, clinics, or health agencies exist; in certain localities practically no medical services are available. In others many costly facilities and much elaborate equipment are wastefully duplicated at considerable social loss. A public health official of one of the western states has emphasized the pitiful need for a better distribution of facilities and services in reporting the following:²⁸

Many of our families live 20 miles or more from the nearest physician. Under the present system, the doctor charges one dollar per mile for country calls. It is possible that a socialized system could be devised which would reduce the cost of calls into the country, but under *any* system each call would mean many dollars. And today adequate care means several calls. Twenty years ago the doctor might call once and pronounce pneumonia, and that single visit might be considered adequate enough. But today the sputum must be "typed," the appropriate serum selected and administered. Perhaps the next day more serum will be required. Oxygen may be needed, and a skilled attendant to administer the oxygen. To provide such service at 20 miles from our base will cost, under any system, well into three figures.

To these ill-distributed and inadequate facilities are added the ever-present problems of the need for and the cost of medical care. Even if "medical service" is construed in the narrowest sense to include only

27. U. S. Bureau of Labor Statistics, "National Health Survey, 1935-1936," *Monthly Labor Review*, vol. 46, March, 1938, p. 668.

28. Esther Everett Lape, *The Health of the Nation*, (New York, The American Foundation Studies in Government, 1937) (reprint), pp. 466-7. Reproduced with permission of the publishers.

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special services to the ill and the injured, recent scientific study has established facts which have great bearing upon the worker's health and welfare, and upon the health and welfare of his family as well.

Medical care throughout the United States as offered under the traditional practice of private medicine is far from adequate for many thousands of ordinary wage earners and their families.²⁹ Objective investigation shows that for both medical and dental care the need is most prevalent among persons in families of low income and least so among those in families of high income. Among families with low incomes, the need for medical care is greatest in rural districts throughout the nation and least among wage-earning families in medium-sized cities. The need for dental care is greatest in rural communities and least in the large metropolitan areas.

In spite of the noteworthy work done by school agencies in co-operation with various local and public health departments in bringing medical and dental examinations to the children of rich and poor alike, only a small fraction of the population enjoys the benefits to be derived from this and other methods of periodic check-up. Furthermore, the number of persons receiving medical or dental examinations varies with family income, since the greater the income the larger relatively this number becomes, and *vice versa*.

Study of these health problems also discloses that certain types of ailments or physical impairments, such as eye condition, vary with the size of the wage earner's income; while other types, such as general diseases of the nervous system, seem to overtake the individual without regard to economic status.

The most significant of all truths established by these studies, however, is that there is a positive and direct relation between the need for and receipt of medical care,³⁰ on the one hand, and family income

29. Services are "adequate" in the sense meant here if, but only if, they are accessible and available at need in the amount and variety necessary to minimize avoidable prospective damage to the person of the patient. (See discussion of this subject in Dodd and Penrose, *op. cit.*, Chaps. 1, 4.)

30. Medical care as herein used refers to services of doctors, surgeons, dentists, hospitals, fitting of glasses, drugs, nursing, and all other activities relating to the health of the patient or person.

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on the other. This relation, emphasized in Chart 19, tends to vary inversely with family income, and offers a far more serious problem among the low income groups than among those higher up the income scale. The free services dedicated to the very poor and destitute, even if all unpaid services privately given are included, are but a small fraction of the amount necessary under any acceptable definition of "adequate" or "very poor."³¹ Furthermore, many health needs of even the middle income groups go unattended because of the pressure of economy; that is to say, many persons living in families of relatively low income simply cannot afford necessary medical care.

Why, one may inquire, cannot these people purchase adequate medical services and thus guard against the various forms of human waste? Medical costs for the "average" person run about \$25 per year—only \$75 to \$80 per family. Surely these "average" costs are not enough to cause great human loss through the inability to purchase adequate services.

Unfortunately for many wage earners and their families, there is no such thing as an "average" person or an "average" family. These costs, while not overburdensome as "averages," often fall without warning and with great unevenness upon families of all income groups. The less fortunate individuals within the higher family-income groups experience, from time to time, great hardships when unpredictable illness strikes the family head, thus necessitating rather heavy medical bills. But if the individual is a salaried worker, the chances are favorable that he will not experience the double hardship of illness and loss of salary.

Not so, however, for the ordinary laboring man. Let him be stricken ill, and the way of his whole family is likely to be very trying to say the least. First he faces the thought of needing the skilled services of the doctor or surgeon and the facilities of the hospital or clinic. These must be paid for by someone. But no sooner is he flat on his back than

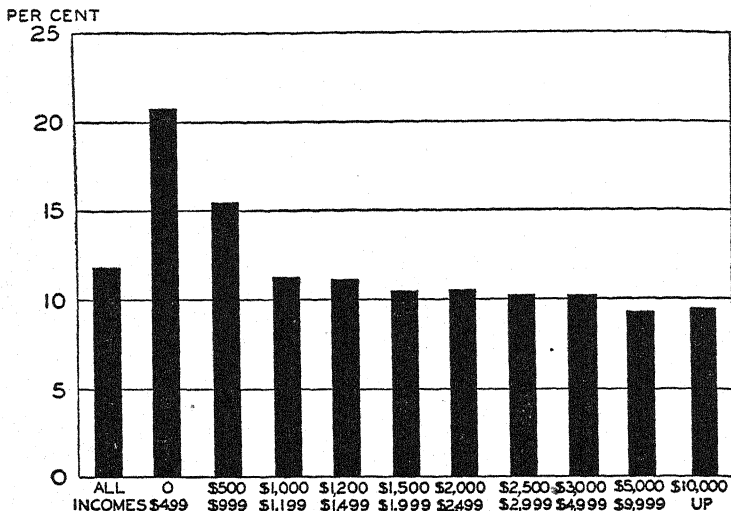
31. A family is "very poor" in the sense meant here if it cannot pay for "adequate" medical care without endangering the health of its members by reason of impairment of the services of shelter, clothing, and food. (See Dodd and Penrose, *op. cit.*, p. 12.)

CHART 19

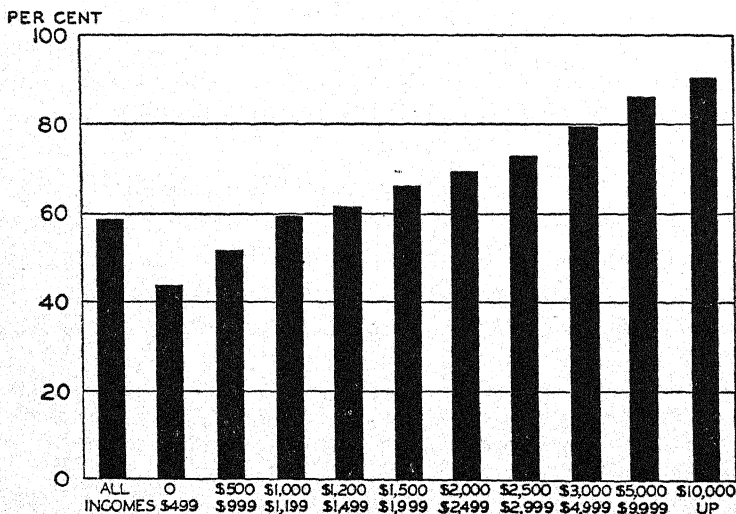
NEED FOR AND RECEIPT OF MEDICAL CARE AMONG WHITE FAMILIES OF CALIFORNIA

(According to 1933 Family Incomes)

Percentage of All Persons Requiring Medical Attention at Time of Family Interview



Percentage of All Persons Requiring Medical Attention Who Were Receiving Treatment



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the second blow is delivered. He has missed work, and his pay envelope is cut accordingly. Thus, at a time when additional money is badly needed to meet the emergency, almost all sources of funds are temporarily suspended and the best that the family can hope for is speedy recovery at any cost. At last when the time comes for the breadwinner to return to his work, the family looks toward a dark future of heavy doctor bills, depleted personal resources, and a disrupted family budget.

Investigation of this aspect of the problem of human waste has revealed some startling facts (see Chart 20). In California, for instance, it has been found that almost one-fourth of all families incur no medical charges during the course of a year. Thus the remaining three-fourths of the people must shoulder all the charges, which—if applied to the nation as a whole—approximate some 3.5 billion dollars to 4 billion dollars a year. Again, 1 family out of every 8, on the average, experiences medical charges ranging from \$100 to \$200; 1 out of 19 incurs charges of from \$400 to \$500, and 1 in every 45 (in California) is charged from \$500 to \$1000 each for services during the year. In fact, 1 family out of every 125 experiences charges of \$1000 or more, an amount almost equal to the average wage earner's income and considerably above the earnings of 40 per cent of the population.³²

This situation cannot but work hardships upon all those who render medical services. For the doctor of medicine, long trained in the pursuit of his profession, private practice creates a real economic problem. Under this system not only is he expected to extend free services generously; also is he called upon to scale down charges and write off many fairly levied accounts as uncollectable. Moreover, his professional income is unsteady and many times wholly inadequate. A study of the distribution of net professional incomes for California doctors of medicine shows that almost one-eighth of the total throughout the state received incomes of less than \$1000 each during 1933; one-third received less than \$2000; one-half less than \$3000; and two-thirds less than \$4000.³³ Even though recovery during the past few years has

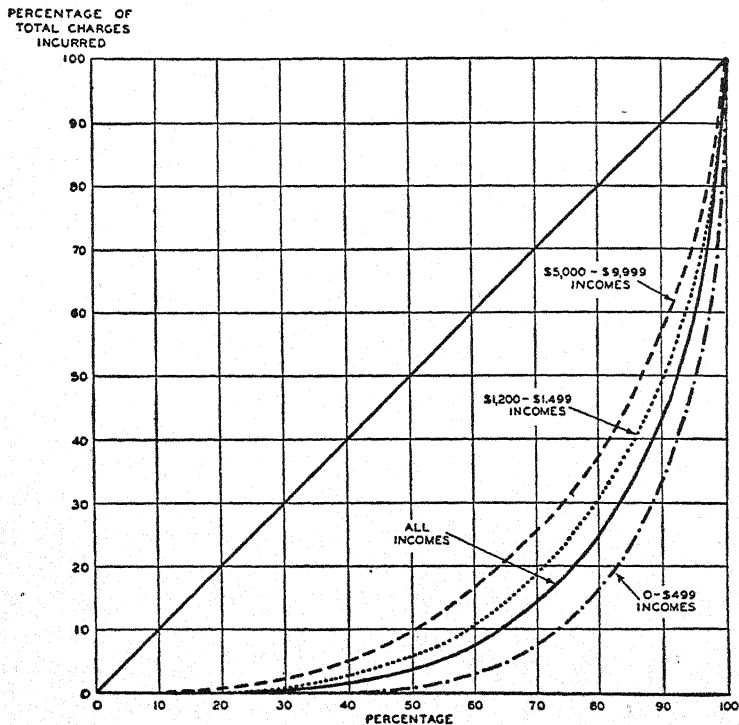
32. See Dodd and Penrose, *op. cit.*, pp. 108-15.

33. *Ibid.*, p. 178.

CHART 20

MEDICAL CHARGES AND THE FAMILIES WHO INCUR THEM

Cumulative Percentages of Families and Total Aggregate Medical Charges
Incurred, 1933-1934



SOURCE: Adapted from Dodd and Penrose, *op. cit.*, p. 115. Reproduced by permission of the publishers.

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brought with it an upward trend in these figures, they are still surprisingly low for the majority of doctors. They are even more so for dentists and other practitioners.

IMPORTANCE OF PUBLIC HEALTH. The amount of human waste prevalent within a nation depends in no small way upon the extent to which public health services are developed and maintained. In the United States there still remains much to be desired. Illness costs, as we have seen, present a staggering figure, and the spread of preventive medicine offers a sound way of reducing many of these costs. The past few years have witnessed the advance of medical science in numerous fields. In this nation the death rate per thousand population has dropped from 17.6 in 1900 to 11.5 in 1936.³⁴ The span of life is gradually growing longer and longer; it has been extended thirteen years since the turn of the twentieth century. Encouraging inroads have been made upon such diseases as yellow fever, typhoid fever, diarrhea, tuberculosis, and diphtheria. But no significant changes have occurred in life expectancy during middle and old age, and mortality resulting from certain chronic and organic diseases, such as cancer, diabetes, and heart trouble has increased at an alarming pace.

A striking reduction has taken place during the past quarter century in the mortality of infancy and childbirth, but there still exists a need for the expansion of maternal and child health services. Experts state that the death rate of newborn children during the first month of life can be cut in half.³⁵ From among the children born into two million homes throughout the United States each year, 69,000 die during the first month of life and fully 80 per cent of these deaths are caused by prenatal conditions that should be checked by proper preventive care. Over 35,000 children are left motherless annually. Each year about 200,000 births occur in families residing over thirty miles from a hospital. Some 4 out of every 10 illnesses among children under sixteen years of age are the direct results of infectious diseases, and four more are due to acute respiratory diseases. There are now encouraging evidences

34. Technical Committee on Medical Care, *The Need for a National Health Program*, *op. cit.*, p. 3.

35. *Ibid.*

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that in a majority of the cases of lobar pneumonia, fatality can be reduced by as much as one-half through the skillful use of serum treatment. Over 500,000 new syphilis and 1,000,000 new gonorrhea patients seek treatment each year; still 50,000 deaths occur annually, 85 per cent of which could be saved by proper treatment. No one knows how many others do not seek treatment because of the economic barriers of medical care.

APPROACHES TO THE SOLUTION. The capital of the wage earner is his capacity to work, and impairment of this capacity threatens his very existence. The husbanding of the physical resources of the worker, therefore, is a national duty of first importance. Where there is no health there is no energy; where there is no energy there is no output. This suggests the material gains that result from proper appreciation of the purposes and limitations of human labor and the importance of proper nutrition, adequate rest, pleasant home surroundings, and sufficient protection of limb and life in industry. The reduction of accidents and occupational diseases to a minimum is a task that must devolve equally upon employers, employees, and society. This calls for intelligent observation of output, regular investigation of the causes of sickness and lost time, prompt adaptation of hours and conditions of labor to physiological needs, regular physical examination of employees, provision of adequate facilities for resting, and the introduction of many other precautions conducive to the conservation of health and energy. The plant or office must be clean and wholesome, properly heated and ventilated, and equipped with sanitary accommodations. Care must be exercised in safeguarding dangerous machinery and injurious processes. In short, there must be the application of physiological and psychological science to the details of industrial management, aided by a campaign of education that will teach men and women the folly of taking unnecessary industrial risks.

Social and economic justice demands that injured workmen shall be relieved from the financial burden of accident; that modern industry perhaps in co-operation with the state or some other agency shall provide, in addition to a living wage, adequate surgical and medical care for injured and ill employees; and that money compensation shall

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be sufficient to maintain the workmen and their dependents during periods of disability. Industrial accidents and occupational diseases and some of the ordinary illnesses of life are just as legitimately a part of the cost of production as the wear and tear on machinery, or any other form of depreciation that calls for replacement. The expense is borne immediately by the employer, but ultimately by the consumer. Industries that refuse to include these human values in their costs of operation are parasitic, and consumers who are unwilling to pay the prices sufficient to cover these risks are not entitled to the utilities they desire.

Questions for Class Discussion

1. Is not the human factor, in the final analysis, responsible (either directly or indirectly) for *all* production?
2. Why have industrial accident rates been relatively higher in America than in most other industrialized nations of the world?
3. Describe changes in industry which have brought about modifications in ratings relative to the hazardous nature of the work performed. Is coal mining today as hazardous an occupation as it was fifty years ago? Rail-roading? Logging? Brick-laying? Manufacturing? Practicing medicine?
4. Many individual illnesses are contracted outside of working hours, but other cases develop as a direct result of exposure involved in performing the work task. Illustrate each of these two types of illness. Could either have been avoided? How?
5. What is the relationship between labor problems and the nation's health?
6. What is industrial fatigue? What are its causes? Its results? How can it be detected? Can it be eliminated altogether from industry? Can it be reduced in severity and amount? How?
7. Why should there be, as there actually is, a close correlation between family income and health? Between income and unattended medical needs?
8. In view of the impressive inroads made by modern medical science upon disease, show why it is that the problem of the worker's health is a labor problem as well as a social problem. Is it as much of a labor problem as it is a social problem? More so? Explain.
9. Sketch what you consider to be the employer's responsibilities in the matter of the worker's safety and health. Is there any measure in which the employer may be thought to be responsible for the health of the worker's family as well?
10. In anticipation of a full consideration of various approaches to the

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health and safety problems of the modern worker (presented in later chapters of this book) outline what you consider to be an adequate program for meeting the deficiencies of our present system in this respect.

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Chapter 13

WOMEN IN INDUSTRY

¶ **WOMAN AS AN ECONOMIC FACTOR.** From the very beginning of economic evolution women have been an important factor in the industrial progress of races. During the earlier stages of economic development women were the primary producers because men devoted themselves largely to warfare and the chase. In the handicraft stage manufacturing activities centered around men. In the factory system, however, women have always constituted an integral part. The changed methods of production resulting from the introduction of power machinery have been chiefly responsible for the increasing employment of women in industry. This significant change has had several far-reaching effects wherever modern capitalism has triumphed. The labor of women, like the labor of men and children, was utilized henceforth under conditions not subject to their control. Women soon entered the labor market as wage earners in competition with men, becoming a fairly elastic source of cheap labor and affecting adversely the standards of employment. Moreover, the shifting of production from the home to the factory has had many deleterious effects on women workers and the family.

There is nothing fundamentally objectionable about the employment of women; their right to employment is as valid as men's, and they may contribute relatively as much to national progress. In the case of women workers, however, there are certain physiological and social considerations which differentiate their position in industry from that of men and which cannot be disregarded in an enlightened community. The future welfare of the race is so peculiarly dependent upon the health of women that unless their employment in industry is adequately protected, society is bound to suffer serious consequences. This

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situation, coupled with the fact that women may compete with men and so depress wage scales and other standards of work, makes the employment of women in modern industry an important economic and social matter.

The problem is not to prevent the employment of women in commercial, industrial, and professional fields, but rather to safeguard the conditions under which they are employed and to eliminate the necessity of employing mothers whose services in the home may be far more valuable to society than the work they do in industry. Economic necessity compels many women to find work, and they must go where employment opportunities present themselves. It is futile to contend that woman's place is in the home. The modern home does not provide productive employment for all women, nor is domestic service particularly attractive to large numbers of them. Even with insufficient wages and undesirable conditions of work, an increasing number of women are finding in industry, business, and governmental institutions greater opportunities for self-development and economic independence than the home provides.

INCREASE IN THE EMPLOYMENT OF WOMEN. In the United States, as in other countries, women have been responsible to a significant extent for industrial expansion. Although the total number of women employed in industry during the early period of our development cannot be determined accurately, there is sufficient evidence that over a hundred occupations were open to them.¹ In the first half of the nineteenth century women entered factories in increasing numbers. Female operatives in the early cotton mills were native Americans, not immigrants as they were in later decades. Many were the daughters of farmers, tradesmen, teachers, and preachers who lived in the neighborhood of the factories. In some parts of the country conditions of labor were fairly satisfactory, but in other sections they were far from attractive and the working day was excessively long. Little attention was paid to the problem because the majority of workers were not looking to industry for life-long employment. As yet, no factory class had developed and the women employees, for the most part young and ambitious to

1. Edith Abbott, *Women in Industry*, pp. 66 *et seq.*

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earn as much as possible in a short time, endured the hardships with little complaint.

There is reason to believe that the machinery would have been adapted to the employment of women had male labor remained scarce. However, in the years immediately preceding the Civil War, immigration to the United States increased to such an extent that the available supply of labor was augmented materially, conditions of labor were depressed, and, as a consequence, relatively fewer women entered industry. The availability of a greater supply of man power furnished an incentive to introduce machinery and faster processes, which demanded more strength and nervous energy than women possessed. During the Civil War many women were thrown upon their own resources, with the result that they again entered industry in increasing numbers. New fields of employment were thrown open to them and from that time on they entered into more active competition with men.

The expansion of American economic life during the closing decades of the nineteenth century and the early twentieth century greatly affected the economic status of women. The increase in the number of gainfully employed women during the last sixty years has been very striking, as is indicated in Table 38.

Such figures indicate a significant development. There were twice

TABLE 38
WOMEN AGED TEN YEARS AND OVER, GAINFULLY EMPLOYED,
1880-1930

Year	Number	Percentage of All Women in Country Ten Years and Over	Percentage of All Persons Gainfully Employed
1880	2,647,000	14.7	15.2
1890	4,005,000	17.4	17.1
1900	5,319,000	18.8	18.3
1910	7,100,000	20.6	19.1
1920	8,550,000	21.1	20.5
1930	10,752,000	22.0	22.0

SOURCE: U. S. Bureau of the Census, *Census of Occupations* (Abstract Summary), 1932, pp. 3-5. The figure reported for 1910 has been adjusted for overenumeration.

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as many gainfully employed females ten years of age and over in 1900 as in 1880, and an increase of more than 45 per cent in the decade 1900-1910. The increase in the number of male workers in the same period was only 30 per cent. One-fifth of all gainfully employed persons in the United States in 1910 were females. During the World War (1914-1918) women entered practically all occupations in increasing numbers, the total being variously estimated between 10 and 12 millions. At the conclusion of the war a great many women left industry. The census of 1920 showed that of approximately 42 millions of gainfully occupied persons ten years of age or over in the United States about $8\frac{1}{2}$ millions, or 20 per cent, were females.

The 1930 census recorded a total of 10,752,116 working women in this country, which was approximately 22 per cent of the total gainfully employed. Including women in agriculture, 253 out of every 1000 women were at work in 1930. The total figure represents an increase of 2,202,605, or 25.8 per cent, in the decade. The net gain in gainfully employed women between 1910 and 1920 was less than a half million, or about 6 per cent. Almost six times as many women were gainfully occupied in the United States in 1930 as were so occupied 60 years before, and there were two women in gainful work to every seven men so employed. The reasons advanced for the unexpectedly large increase of wage-earning women in the decade 1920-1930 are many. The most important of these are the necessity for filling the gaps in the ranks of employable males who were killed or incapacitated in the World War, the shortage of employable persons resulting from the influenza epidemic of 1918, and the restriction of immigration which greatly reduced the influx of young adult male workers. Worthy of note also is the fact that many of the traditional barriers to the employment of women in industry had broken down under pressing needs of the nation in the war emergency. Traditional conservatism yielded to exigencies of the period, and women entered trades, business, and professions hitherto regarded as the sacred economic provinces of men.²

2. Mary V. Dempsey, "The Occupational Progress of Women, 1910 to 1930," U. S. Women's Bureau, *Bulletin* no. 104, Washington, 1933, pp. 1, 2.

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The occupational advance of women manifests no tendency to diminish despite the economic disorganization incident to the Great Depression during the last decade. The Unemployment Census of the United States which was taken in November, 1937, showed that women workers constitute 25.13 per cent of those gainfully employed, as compared to 22.02 per cent in 1930.³ John D. Biggers, chief of the Unemployment Census, estimated that there were 39,978,000 men and 14,496,000 women in the labor market of the United States at that time. Moreover, the percentage of women looking for jobs was greater than it had ever been previously.

These statistics of employed women tell a significant story—a story of the economic emancipation of women. Viewed generally, such information suggests that the number of women in gainful occupations has increased fully one-third since 1910, and almost six times since 1870. The rate of increase in absolute numbers in the period from 1890 to 1930 exceeded 300 per cent, as compared with only 160 per cent for men. It is evident that important economic causes have been at work shifting an increasing number of women from the home to the nation's labor market and into the nation's industry, commerce, finance, and professions. The same forces conspire to keep women in the country's economy.⁴

THE OCCUPATIONS OF WOMEN. The history of industrial progress in the United States, whose experience has not differed materially from that of other advanced industrial nations, shows that women have entered almost every kind of occupation. The number of occupations and professions closed to women is diminishing with unprecedented rapidity; their economic emancipation, like their political equality, is destined to be one of the notable achievements of the twentieth century. Census figures indicate that—except in those occupations and industries for which they are physically unqualified, as the building trades and the manufacture of steel, or from which in the interest of social welfare

3. National Industrial Conference Board, New York, *Press Release*, November 1, 1938.

4. Cf. Mary Elizabeth Pidgeon, "Women in the Economy of the United States of America," U. S. Women's Bureau, *Bulletin* no. 155, Washington, 1937, p. 17.

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they have been specifically excluded, as coal mining—women workers are becoming an important part of the personnel. They have a significant place in practically all lines of manufacture. They make up a large part of the office staff of banking houses, insurance companies, brokerage offices, and real estate firms. Large numbers of them are employed in wholesale and retail trade. A major proportion of the workers in professional service and domestic service are women. In the principal professions the gains of women are striking. In trade and transportation, in relatively new industries, as motion pictures and radio, and in agriculture women workers have an important place. In the United States, women dominate the teaching profession except in institutions of higher learning.

The occupational distribution of women for specified years in the United States is shown in Table 39.

An examination of the trends in women's occupations reveals some very interesting facts. Despite the increasing variety of employment open to women, the largest proportion of gainfully employed women—three-fourths of them—still are in domestic and personal service. Because of the increasing educational privileges accorded them, women have found expanding employment openings in clerical and professional fields. Developments in commerce, trade, and communication have made possible the employment of increasing numbers of women. Recent technological changes, particularly the subdivision of factory work into minute operations and processes, have made available numerous new positions for women in shops and laboratories. The net result of recent economic changes has been to increase the number of women in clerical and white-collar positions, while at the same time it diminished employment opportunities for them in the hand trades and decreased the relative importance of factory jobs.

A greater number of women has entered professional service and semiprofessional work as helpers, but the accessions of women in the major professions have slowed up, in some professions actually showing a decline. Three-fourths of all women in the professions still are school teachers and nurses. The urbanization of American life has been

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TABLE 39

NUMBER AND PER CENT DISTRIBUTION OF GAINFULLY OCCUPIED WOMEN 10 YEARS OF AGE AND OVER, BY GENERAL DIVISION OF OCCUPATIONS, 1930, 1920, 1910

General Division of Occupations	GAINFULLY OCCUPIED WOMEN					
	1930		1920		1910	
	Number	Per Cent Distribution	Number	Per Cent Distribution	Number	Per Cent Distribution
All occupations	10,752,116	100.0	8,549,511	100.0	8,075,772	100.0
Agriculture, forestry, fishing	910,268	8.5	1,083,819	12.7	1,807,181	22.4
Nonagricultural pursuits	9,841,848	91.5	7,465,692	87.3	6,268,591	77.6
Extraction of minerals	759	^a	2,864	^a	1,094	^a
Manufacturing and mechanical industries	1,886,307	17.5	1,930,352	22.6	1,820,847	22.5
Transportation and communication	281,204	2.6	224,270	2.6	115,347	1.4
Trade	962,680	9.0	671,983	7.9	472,703	5.9
Public service (not elsewhere classified)	17,583	0.2	10,586	0.1	4,836	0.1
Professional service	1,526,234	14.2	1,017,030	11.9	734,752	9.1
Domestic and personal service	3,180,251	29.6	2,186,682	25.6	2,530,403	31.3
Clerical occupations	1,986,830	18.5	1,421,925	16.6	588,609	7.3

^a Less than 0.05 per cent.

SOURCE: U. S. Department of Labor, Women's Bureau, Dempsey, *op. cit.*, p. 7.

accompanied by a decline in agricultural occupations for women and a simultaneous development of numerous types of service jobs for them in the great cities. For example, there are growing employment opportunities for women as beauty specialists, waitresses, elevator operators, laboratory assistants, and domestic servants. Strangely enough, seven-tenths of the women in agricultural occupations are employed as farm hands.

In the formulation of judgments with regard to the economic position

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of women in the United States, it must still be remembered that approximately three-fourths of them are not in gainful occupations. The vast majority are homemakers, whose importance in the economy of the nation is evidenced by the fact that 95 per cent of American families have no paid help.⁵ It has been appropriately observed that: "The contribution these 24½ million homemaking women make to the economy of the Nation still is paramount, despite the difficulties of measuring its value."⁶ It is obvious, however, that the occupational distribution of women in the economy of this country is of such importance as to make imperative recognition of this fact in any attempt to introduce an intelligent direction and control of our economic system in the future. The technical training and placement of women workers is a responsibility the nation can no longer escape if the requirements of our economy and the needs of millions of women are to be met satisfactorily.

AGE AND NATIVITY OF WOMEN WORKERS. Among gainfully employed women, youth predominates, but there is a tendency for the age periods to move upward. In 1920, almost 21 per cent of the employed women were less than 20 years of age, whereas in 1930 only 15.5 per cent were under that age. In all probability the increasing restrictions upon child labor are chiefly responsible for this tendency. Other factors contributing to the change include an increase in the number of married women workers, expanding employment opportunities for older women resulting from the decline in immigration, and a falling off in the birth rate. Native women constitute by far the largest proportion of gainfully employed females. Native whites accounted for 58 per cent of all employed women in 1900, and 71 per cent in 1930.⁷ The idea, which often has been current, that immigrant women constitute a vast proportion of female workers in our industries is obviously erroneous.

GEOGRAPHICAL DISTRIBUTION OF WAGE-EARNING WOMEN. It is natural

5. Pidgeon, *op. cit.*, pp. 5, 6.

6. *Ibid.*, p. 6.

7. S. P. Breckenridge, in Report of the President's Research Committee on Social Trends, *Recent Social Trends in the United States* (McGraw-Hill, 1933), pp. 713-4.

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that there should be a concentration of wage-earning women in the principal industrial states. At the time the 1930 census was taken, nearly 55 per cent of all women engaged in manufacturing and mechanical industries in the entire United States were employed in eight states—Illinois, Massachusetts, Michigan, New York, Ohio, Pennsylvania, Rhode Island, and Virginia. Three-fourths of the female wage earners were in the leading industrial states of New York, New Jersey, and Pennsylvania. The fourteen states of the Northeast, that is, north of Maryland and the Ohio river and east of the Mississippi, employed in excess of two-thirds of the total number of wage-earning women. The same area also employed two-thirds of the women in clerical jobs and about one-half of those in other classifications. In the southern states most of the women gainfully employed are in agricultural occupations.

RELATION OF WOMEN'S EMPLOYMENT TO THAT OF MEN. We shall discuss presently the competition of women wage earners with men. Here we are concerned with the relative position of the sexes in the occupational structure of the country. As already indicated, there are approximately forty million men and about fourteen million women in the labor market of the United States. The employment of women has increased about one-third since 1910, and actually increased somewhat more than the employment of men. Nevertheless, there are more than three times as many men in gainful occupations as there are women.⁸

When we examine the occupational distribution of the two sexes, we find a considerable divergence. In the order of their importance, the principal occupations for men include manufacturing, agriculture, and trade, which together employ seven-tenths of the male workers. The principal occupations for women are domestic and personal service, clerical jobs, manufacturing, and professional work, which together employ eight-tenths of the women. The following census figures on the largest occupational groupings of women and men show clearly the important differences.⁹

8. Pidgeon, *op. cit.*, p. 19.

9. *Ibid.*, p. 49.

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Women	Per Cent of Total Employment
Domestic and personal service	29.6
Clerical occupations	18.5
Manufacturing and mechanical industries	17.5
Professional service	14.2
Trade	9.0
Agriculture	8.5
Men	
Manufacturing and mechanical industries	32.1
Agriculture	25.1
Trade	13.4
Transportation and communication	9.4
Clerical occupations	5.4
Domestic and personal service	4.7
Professional service	4.5

Manufacturing industries are still the large employers of both men and women. Women engage in the largest numbers in the manufacture of cotton and knit goods and other textiles, shoemaking, clothing manufacture, cigar and tobacco manufacture, food industries, and the making of electrical machinery and supplies. Many men, of course, are employed in these industries. As is to be expected, men are engaged in large numbers in the heavy metal industries; the manufacture of automobiles; shoemaking; the lumber, wood, and chemical industries; clay, stone, and glass industries; petroleum refining; and the building trades. Although women are found in these industries, their number is relatively insignificant.

FACTORS CHIEFLY RESPONSIBLE FOR THE INCREASING EMPLOYMENT OF WOMEN. It is clear from the foregoing review of the expansion of employment opportunities for women that the emergence of modern capitalism in the United States brought with it a new set of conditions and factors which have greatly modified the position of women in the life of the nation. Some of the most important factors in the continued expansion of women's employment include the accelerated invention of machinery, minute subdivision of manufacturing processes,

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the substitution of new for old methods and skills, concentration of population, improved techniques of housekeeping, decline in agricultural occupation, development of new sales and marketing techniques, the growth of communication and transportation facilities, the development of new types of service, and the advance in educational opportunities.

The history of woman employment in this country has been a history of the transition from household manufacture to factory and office and sales occupations outside the home. The shift has developed with the growth of machine fabrication as a substitute for the older skilled handicrafts and the consequent industrialization of society, and with the parallel change in public thinking as to the education and position of women.¹⁰

Invention has continued to play a major role in the expansion of economic opportunities for women, and, in recent years especially, industrial and commercial research has been allied with invention to the same end. The purpose of research and of the application of its results is to reduce costs, increase production, and create new forms of service and new commodities, with a view, of course, to enhancing profits. These inevitably affect the employment of both men and women, but many of the applications of research have had a particularly significant influence upon women's employment. For example, the development of new raw materials, such as the production from wood pulp and cotton waste of a substance that can be spun into artificial silk or rayon, has created an essentially new industry especially adapted to women. The manufacture of perfume from soft coal, and the invention of the typewriter, the telephone, and the radio have similarly opened new fields of manufacture and operation to women. Changes in methods of manufacture that reduce excessive labor and hazard invariably decrease the number of occupations from which women are barred because of the physical strain involved. Thus the substitution of machines for hand labor and the simplification of mechanical processes constantly make possible the replacement of men by women.

Driven by a keen sense of new possibilities of profit making, enterprising employers have from the very beginning of our industrial sys-

10. *Ibid.*, p. 17.

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tem been quick to discover women as a source of cheap labor. Even when employment opportunities for women were extremely limited, entrepreneurs advanced the plausible argument that the low wages paid to women "enabled the poor to buy bread." Ever eager to reduce costs and so enhance profits, entrepreneurs are constantly on the watch for simplified processes that will enable them to tap a cheaper labor supply.

A factor of considerable importance in driving women to seek employment outside the home has been the excess of women over men, especially in the large cities of the nation.¹¹ Because they were members of a monogamous community, this meant that many of them could not marry, with the result that they entered gainful employment.

Changing public opinion has been a significant factor in the new status of women. Except in totalitarian states as Italy and Germany, bent primarily on providing cannon fodder for imperialistic expansion, there is no great sponsorship for the outmoded doctrine that woman's place is in the home. Opposition to the gainful employment of women has rapidly diminished in democratic communities.

COMPETITION WITH MEN. Male workers, especially those who are organized, often view with alarm the rapid increase in the number of female wage earners. Men have always feared the consequences of competition with women and have jealously attempted either to prevent or reduce the influx of women workers. The fact that women are leaving their traditional occupation of homemaking in such large numbers may entail serious results for gainfully employed men. Yet, there appears to be little ground for the belief that women actually displace men on a very large scale. In fact, the industrial experience of the United States shows that replacement of either sex by the other in exactly the same work does not occur to any considerable extent. Some displacement occurs, but during the period of industrial expansion in the last hundred years women have been employed in addition to men rather than in their stead. Women frequently enter into competition,

11. Thomas Woody, *A History of Women's Education in the United States*, vol. ii (The Science Press, 1929), p. 1.

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either directly or indirectly, with men; and their employment results in conditions usually deemed unacceptable to organized labor.

The fact that women seldom displace men in exactly the same work does not mean that a change in the nature of the work or simplified methods of performing it may not open up employment for women. Indeed, this is likely to occur. But taking our economy as a whole, the increase in employment for women has not meant a decrease in employment for men. A recent study showed that the percentage of male workers in the total population of the United States has been approximately the same since 1870.¹²

It would seem, therefore, that the increase in the number of women workers has not been at the expense of work for men. It is a fact, moreover, that the level of production could not have been maintained, much less increased, without the labor of women.¹³ The evidence suggests that the wider distribution of women workers in industry and commerce and their advancement into better positions have not, in general, reduced the number nor impaired the quality of employment opportunities for the male population. Occupations have shifted from men to women and from women to men in the constant flux of our economic life, and they have shifted from both sexes to machines as a result of the recent achievements of industrial research and the irresistible march of improved techniques.

Women constitute a fairly elastic labor reserve, tending to increase when wages are attractive and to diminish when wage levels are lowered in periods of depression. It is a mistake, however, to think that this elasticity is such as to furnish a nice adjustment to the fluctuating demands for labor. Many women, a large number of whom are married, enter industry during periods of business prosperity when wages are high on account of the relative scarcity of labor, and withdraw when business recession begins and wages drop. Nevertheless, in depressions when unemployment prevails and wage scales are generally low, many women and girls are forced to find some kind of employment in order to insure support for the family. Thus they tend to glut an already over-

12. National Industrial Conference Board, *op. cit.*

13. *Ibid.*

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crowded labor market and to cause further declines in wage standards. Under such circumstances many men are forced to accept lower wages or surrender their jobs to women and girls. An investigation of unemployment in the United States in November, 1937, showed that over three million women who normally would not be working or hunting jobs were forced by depression conditions to join the nation's labor force.¹⁴

The danger of replacement and severe competition of male with female labor is more serious in the unskilled than in the skilled trades. In occupations demanding a high degree of dexterity, physical strength, abundant nervous energy, and no small amount of special industrial training, women have offered much less severe competition than they have in occupations characterized by repetitive processes, monotony, unskilled methods, and small demand upon physical strength and nervous energy. There are certain departments in transportation, such as the operation of trains and steamships, and in the production of steel in which extraordinary skill, training, and strength are required. In such occupations men and women workers represent two practically noncompeting groups, and have nothing to fear from each other. But it often is quite otherwise in occupations for which women can qualify as easily as men, and for which women offer a cheaper labor supply. It would seem, therefore, that the influx of women workers into industry tends to swell the number of those whose conditions of employment are already undesirable because of lack of skill and excessive numbers. As machines break down the barriers of apprenticeship, the competition of women with men inevitably assumes serious proportions.

THE WAGES OF WOMEN WORKERS. The wages of women in industry are pitifully inadequate and are much below the remuneration of men, even when the work performed is similar in nature. The evidence is conclusive that "Women work in factories, not primarily for the joy of working, but because they must earn a living for themselves and often for others. In too many instances they have had neither joy, nor enough earnings for a living. Managers employ them because they

14. *Ibid.*

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need their labor, and, often because they want it cheap."¹⁵ Low remuneration has characterized the employment of women ever since they assumed the role of wage earners, and prior to that time their economic status was in many respects even less desirable. This condition has prevailed for centuries in Europe and has been a characteristic feature of the industrial experience of the United States. Data on cotton-mill wages in the first quarter of the nineteenth century show that women in the United States almost never earned as much as \$4.00 a week, although as weavers they were sometimes paid that much.¹⁶

Studies of women's earnings in American industry in recent decades invariably reveal an unsatisfactory situation. Even in 1919, everywhere regarded as a high wage year, the earnings of women workers were lower than the minimum required for health and decency. Post-war surveys told the same story. At the present time wage averages for women present unfavorable standards in relation to the cost of living, as well as in comparison with wage levels for men. Only a relatively small percentage of America's wage-earning women receive an average of \$20.00 a week when working full time, a large proportion get less than \$15.00, and a considerable number get less than \$12.50.¹⁷ Yet a review of the budgets made up by different experts indicates that not less than \$18.00 a week is required for a minimum of health and decency, to say nothing of a surplus for saving to meet emergencies.

Although a report of the United States Women's Bureau early in 1940 indicated a tendency toward improvement in the prevailingly low wage level of women workers, caused by increased collective bargaining and the influence of minimum-wage laws, the situation continues to be serious. Cost of living estimates ranged from \$17.77 per week in Utah to \$22.93 in New York. In strongly unionized industries women's wages are sufficient usually to meet the cost of living, but in nonunion industries and in those in which the workers are not protected by minimum-wage laws this is not possible. In unionized industries, such

15. Mary Van Kleeck, "Women and Machines," *The Atlantic Monthly*, vol. 127, February, 1921, p. 255.

16. Cf. Edith Abbott, *op. cit.*, chap. 12.

17. Cf. U. S. Women's Bureau, *The Woman Worker*, vol. xviii, March, 1938, p. 5.

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as the manufacture of women's suits and coats and high-grade dresses, the average weekly wage was (1938) about \$23.00. In nonunion industries the average was much lower. For example, in the manufacture of cheap cotton dresses, the average weekly wage was about \$12.00; in limited-price retail stores, it was from \$10.00 to \$12.00; in candy-making it was slightly over \$15.00; in laundries it ranged between \$9.00 and \$12.00; and in household employment the average cash wage was between \$5.00 and \$7.00 a week. The average varied in different localities and states.¹⁸

The level of women's wages naturally fluctuates, rising in times of prosperity and falling in times of depression. In the Great Depression of the 1930's the average weekly wage of women throughout the United States was estimated at \$11.72. In September, 1937, after considerable recovery had been registered, women's wages were below \$15.00 a week in twenty-three of the forty-three manufacturing industries, and below \$12.50 in six of them. How inadequate such earnings are in relation to the cost of living may be easily imagined. Let us take, for example, the situation in the state of New York. The average wage in 1932 was \$13.75. Basing its estimate on the barest and most meager standards, the State Department of Labor concluded that the amount required for board and lodging would be \$11.63, leaving the average woman the pitifully small sum of \$2.12 a week for clothing, carfare, laundry, recreation, and all other expenses.¹⁹ This case is typical of the discrepancy that prevails between the earnings of women and their cost of living.

When we compare the wages of women with those of men, a similar discrepancy appears. Recent studies show that in woman-employing industries throughout the United States the weekly wage is generally below \$20; in man-employing industries it is in all cases above \$20

18. U. S. Bureau of Labor Statistics, "Employment Opportunities and Earnings of Woman Workers in the United States," *Labor Information Bulletin*, vol. VII, February, 1940, pp. 13-14. Based on *Bulletin* no. 172, "The Woman Wage Earner—Her Situation Today," by Elizabeth D. Benham, published by the Women's Bureau, 1940.

19. U. S. Women's Bureau, *Women at Work*, Bulletin no. 115, Washington, 1935, p. 8.

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and runs to levels above \$30.00.²⁰ The following data on comparative wages for men and women suggest the extent of the differential in favor of men.²¹

<i>Important Woman-Employing Industries:</i>	<i>Average Weekly Earnings, All Employees</i>
Chief textile industries	\$14.02-\$16.54
Wearing apparel	17.39
Confectionery	16.69
Boots and shoes	15.90
Tobacco manufactures	15.21
Electrical machinery, apparatus, and supplies	25.97
 <i>Important Man-Employing Industries:</i>	
Blast furnaces, steel works, and rolling mills	\$29.13
Automobiles	32.27
Lumber and allied products	20.12
Petroleum refinery	30.43
Stone, clay, and glass products	23.23
Building construction	28.89

Similar differences exist in comparative annual earnings. Wage studies show that in all but two of nine industries employing large proportions of women, the average year's earnings were less than \$1000. Of fifteen industries very largely employing men, the annual earnings averaged above \$1000 except for three in which unskilled work predominated.²² Working women frequently find it necessary to supplement their inadequate earnings by doing additional work outside their regular jobs. This is not difficult to understand when one remembers that for the maintenance of health and decency, not less than \$1058 is required for the woman living as a member of a family, and \$1192 annually for the woman living alone.²³ In the leading industrial states women's wages tend to average from 50 to 60 per cent as high as men's,

20. "Trend of Employment and Payrolls," *Monthly Labor Review*, vol. 44, February, 1937, pp. 455-9.

21. Pidgeon, *op. cit.*, p. 50.

22. *Ibid.*

23. Frieda S. Miller, "Living Costs of Working Women in New York," *Monthly Labor Review*, vol. 46, March, 1938, p. 576.

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and the extra work of supplementing such inadequate income imposes a severe physical strain upon women.²⁴

The net result of low wage standards for women is to produce a low standard of living for the women themselves and in numerous instances for their families, especially where women are the principal, if not sole, support of families of considerable size. Nor does this tell the whole story. There is a definite tendency for low wages paid to women to depress wage standards in general for both sexes, thereby extending and perpetuating the evils of poverty and dependency and placing a premium on the displacement of men in favor of women who can be hired at lower rates.²⁵

UNEQUAL PAY FOR EQUAL WORK. In general, men and women in gainful occupations are likely to be employed on different types of work. This does not mean that the tasks performed by women are less important than those performed by men. In fact, the so-called "light work" assigned to women often requires a degree of dexterity and speed that is as exacting in terms of physical energy and adaptability to rapid machine processes as the demands upon men at the so-called "heavy jobs." Yet women usually receive less pay than do men even when the tasks performed and the output are the same. Experience indicates that women frequently outdo men in quantity and quality of output, while their wages remain lower than those paid to men. Employers defend this policy on the ground that the work done by women is not the same as that done by men, although it is seldom possible in such cases to detect a difference. As a matter of fact, the discrepancy in this regard is more often attributable to tradition than to difference either in the nature of the work or in performance. Justice would require that the real basis of compensation be the value of services rendered rather than the sex of the individual who performs them.

Comparative wage studies for men and women in certain manufacturing occupations, various types of clerical work, and sales positions

24. Pidgeon, *op. cit.*, pp. 53-8.

25. See U. S. Women's Bureau, "What the Wage-earning Woman Contributes to Family Support," *Bulletin* no. 75, 1929; and "The Employed Homemaker in the United States," *Bulletin* no. 148, Washington, 1936.

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in general merchandising establishments indicate that "women's pay is definitely lower than men's for essentially identical work, and that for the most part their pay in productive manufacturing jobs falls below that received by men performing common labor requiring little skill or training."²⁶ The evidence is conclusive that even when women exert themselves as greatly and contribute as much to the final product as men, their pay envelopes contain considerably less than do the pay envelopes of men.²⁷ The following results of a wage study in the city of Chicago illustrate the general differential that exists in favor of men. For all the occupations combined, wage rates for women averaged about three-fourths as much as for men.

TABLE 40
EARNINGS OF MEN AND WOMEN IN SELECTED OCCUPATIONS
IN CHICAGO, 1937

Occupation	Median Monthly Rate		Per Cent Women's Average Is of Men's
	Men	Women	
All occupations	\$135	\$ 99	73.3
File clerks	80	80	100.0
Hand bookkeepers	162	122	75.3
General clerks	115	90	78.3
Machine operators:			
Bookkeeping or billing ...	98	108	110.2
Calculating	98	95	96.9
Messengers	65	56	86.2
Supervisors	241	153	63.5
Merchandising (mail order) .	97	67	69.1

SOURCE: Mary Elizabeth Pidgeon, "Women in the Economy of the United States of America," U. S. Women's Bureau, *Bulletin* no. 155, 1937, p. 71.

EQUAL PAY FOR EQUAL WORK. In recent years there has been much agitation in behalf of equal pay for equal work without discrimination

26. Mary Elizabeth Pidgeon, "Differences in the Earnings of Women and Men," U. S. Women's Bureau, *Bulletin* no. 152, 1938, p. 13. See also pp. 27-9.

27. *Ibid.*, p. 15.

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as to sex. The slogan "equal pay for equal work" has aroused considerable discussion. Until there is some agreement as to the interpretation of the phrase little advancement will be made. To some people the phrase means an occupational rate, or equality of pay on the time basis, while to others it means equal compensation in the sense that pay should be in proportion to efficient output. There are many reasons why the time basis would prove unsatisfactory because of the fundamental differences between men and women workers. The employer would find it difficult to employ women rather than men if such a basis of compensation were adopted, and as a consequence many women would be unable to find work. It is generally recognized that in some instances the employment of women imposes expense burdens upon the employer that are not incident to the same degree in the employment of men. The comprehensive legal requirements of rest rooms, lavatories, seats, and other accommodations do not generally prevail in the employment of men. Lost time through illness and domestic causes is proportionately greater among women than men, and industrial experience seems to indicate that the cost of supervision is greater in the case of women. Then, too, there are legal restrictions such as the prohibition of night work for women and the limitation of the working day that are not so generally applicable to male workers. Lack of physical strength and industrial training may tend to make a difference in the productivity of men and women that would not be recognized on the time basis.

On the other hand there are certain objections raised against the application of the principle of equal pay in proportion to output. The opponents of this principle claim that it gives employers a dangerous power of control over wages. Collective bargaining would be abolished and women would have no standard rates since various employers would evaluate their output differently. Men are frequently paid the same rate for the same occupation regardless of output.

Whatever method of measurement may be accepted, justice demands that when women perform substantially the same tasks with equal efficiency as men their compensation should be equal. The general principle which should be applied is that wages should be paid on the

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basis of occupation and not on the basis of sex or race of employees.

WHY WOMEN'S WAGES ARE LOW. Numerous reasons have been advanced for the inadequacy of women's wages and the failure of women to obtain the same wage rates as men for the same work.²⁸ Positions of skill, training, and responsibility usually are held by men; positions requiring speed and a certain amount of dexterity, but not exceptional skill, usually are held by women. The conspicuous lack of industrial training among women accounts for this discrepancy. Custom and tradition have dictated that woman's place is in the home and have prevented the preparation of women for the more responsible occupational and professional positions. To give the son a trade has long been accepted as the proper procedure; the daughter has not always been so carefully guided in preparation for a career. Women's physical endurance is admittedly limited. There are numerous tasks in modern industry for which they are unfitted physically. This tends to overcrowding in those occupations that women can fill and a consequent depression of the wage scale.

As a rule, women are more settled than men. Employers have found less turnover and a greater degree of loyalty among women than among men. Women are manifestly more appreciative of family ties and more reluctant to sever their connections with home to seek employment elsewhere. Also, there are obvious moral dangers involved in migration from one locality to another, which are difficult for women to face. In the case of women who have others depending upon them, the degree of mobility is even less than for single women. The fact that women are either not inclined to or cannot move readily from one industry to another and from one locality to another inevitably tends to the acceptance of what would otherwise be unacceptable terms of employment.

Women consume somewhat less food than men, and they can extend their wages if necessary by preparing their own meals and making their own clothing and millinery. They are thus enabled to accept lower wages than otherwise, and many employers take advantage of

28. Cf. United States Commission on Industrial Relations, *Final Report*, 1915, p. 72.

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this fact. Many women and girls are not dependent upon industry for a livelihood, but seek employment a part or all of the time merely for the purpose of obtaining spending money. The presence of pin-money workers has a depressing effect upon wage scales for women. The competition of independent or semi-independent employees with those who must work to live is bound to have an extremely undesirable effect.

Employers frequently claim that it costs more to employ women than men because of the numerous legal restrictions governing the employment of female workers. Factory laws require many appliances for the protection of women and children employees that are not so rigidly required in the case of men. This, according to employers, makes it necessary for them to secure women at lower rates of pay.

Employers' experience shows that the average woman looks forward to marriage, thus interrupting, if not ending, her industrial career. Since an increasing number of women wage earners are continuing in their jobs even after marriage, this factor may have decreasing importance. However, because of the general possible shortness of her career, the young woman has not the same encouragement as the young man to cultivate industrial ambition or to work for improvements in her status and prospects. This industrial inertia may account for the tendency of women not to take their employment seriously and to underestimate the value of their services in industry.²⁹ If women do not expect high wages, it is unlikely that they will get them. Added to self-depreciation is the pronounced tendency on the part of men to underestimate the value of women's services.

For the same reason, the woman worker has done little heretofore toward the development of union organization. Efficient organization is one of the most urgent industrial needs of women. They have shown less capability of organization than have men. Generally speaking, the failure to organize is caused by women's lack of interest in permanent organization, opposition of employers, and lack of co-operation on the part of male workers. Unionization of women would result in raising wages above the prevailing standards, thus depriving the employer of

29. See "Women in the Governmental Service," *Monthly Labor Review*, vol. x, January, 1920, pp. 208-17.

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an available supply of cheap labor. For this reason employers have always opposed strenuously any attempt to organize women workers, just as they have resisted unionization of male employees. Organized male workers traditionally have displayed little disposition to admit women to their unions, but in recent years a change of policy has resulted in opening up membership to women. This is especially true of the newer unions. Women, however, are awakening to the necessity for organization and, as there develops a more distinct class of female factory workers permanently connected with industry, unionization should be more successful.

Many of the factors just enumerated indicate lack of adaptability on the part of women to the prevailing requirements of the labor market. "The number of industries that women may enter has been restricted and in consequence all women workers have had to crowd into a comparatively small number of occupations in which there has resulted an oversupply of female labor with a consequent detrimental effect on remuneration."³⁰ As already indicated, however, women's industrial adaptability is rapidly increasing because of technological changes.

Women's lack of political power has been partially responsible for discrimination against them in public employment; they have been unable to take their fight for improved conditions of employment to legislative bodies.³¹ Equality of treatment does not always prevail even in government service. Universal suffrage will doubtless gradually decrease this discriminatory treatment.

The foregoing conditions have retarded the industrial progress of women. Low wages and the conditions that produce them have reacted in a vicious circle. Low wage scales have accentuated physical disabilities and have been both the cause and the effect of comparatively inefficient and inconstant work, inadequate training, and the lack of industrial organization. Moreover, women's wages in certain industries have been depressed to a level unwarranted by economic competition be-

30. *Report of the British War Cabinet on Women in Industry* (London, Ministry of Labor, 1919), p. 72.

31. "Women in the Governmental Service," *loc. cit.*

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cause unscrupulous and unthinking employers, recognizing the fundamental weakness in women's bargaining power, have paid wages not only less than their services were worth but even insufficient to maintain a standard of comfort and decency. But the future contains greater promise.

Women's industrial consciousness has been quickened; they are realizing, slowly it is true, but with deep conviction, their potentialities and their power; they are organizing to an extent undreamed of before, and they have the opportunity, little used at present but lying to their hands, of using their large numbers and their great powers for extending the outlook and improving the circumstances both of their sex and of the race.³²

The conclusion is inescapable that the time will soon come when women will demand wages corresponding to their abilities, efforts, and necessities.

THE EFFICIENCY OF WOMEN WORKERS. The idea has prevailed that women workers are neither actually nor potentially so efficient as men in operations requiring a high degree of technical skill, but this contention has rarely been supported by specific evidence. Only in recent years has there been a general attempt to gather statistical evidence of the relative efficiency of the two sexes, and even now the information is so meager and the conclusions are so conflicting that dogmatic assertions are unwarranted. It is necessary to keep in mind the fact that there are obvious difficulties in measuring the relative productivity of men and women. In industry there are trades and occupations that are distinctly the province of women and others that are exclusively men's, while in many lines of endeavor both male and female labor can be employed more or less interchangeably. There is every reason to believe that under normal conditions and with equal preparation women's productivity will compare favorably with that of men. Evidence collected during the World War indicated this to be true.³³

The experience of advanced industrial nations suggests that in many occupations women display greater efficiency than men, while in others

32. British Ministry of Reconstruction, *Report of the Women's Employment Committee* (London, 1920), p. 40.

33. See Mary Elizabeth Pidgeon, "Differences in the Earnings of Women and Men," U. S. Women's Bureau, *Bulletin* no. 152, 1938, p. 5.

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their productivity is much less. Women appear to excel in processes requiring flexibility and delicacy of manipulation and are more patient in exacting, monotonous, and repetitious tasks. On the other hand they are more subject to fatigue, less regular in attendance, and less capable of handling heavy tasks. In operating instruments of precision, electric machines, electric cranes, and mechanism requiring close attention and care, women often excel. In certain other industries the productivity of women could be increased by modification of apparatus so as to lessen the physical effort required.³⁴ The evidence available does not support the common opinion that women's output, in general, is below men's. Even the differences in output that exist in particular cases are far from sufficient to warrant the great discrepancies between men's and women's wages.

HOURS AND CONDITIONS OF LABOR IN RELATION TO FATIGUE. At a very early date in the United States excessive hours of labor for women constituted a serious problem, and public interest was aroused to a marked degree. Recognition of this problem has usually been the result of the conviction that excessive hours of work directly affect women's health and that ill-health adversely affects the future of the race. Little cognizance was taken of the industrial position of woman and her right to fair treatment as a human factor in production. Now, however, there is a distinct tendency to approach the problem also from the standpoint of the requirements of leisure, cultural opportunity, and social development, which are rightfully claimed by women in a progressive community. The problem of hours for women workers concerns not merely the length of the basic workday but the effect of the time spent in industry on every phase of woman's life. This includes the effect of fatigue and efficiency on her life outside the workshop as well. Long hours in the factory are not so serious for the man, whose work is finished when he leaves his job at night, as they are for the woman, who often has several hours of housework to do after she returns home.

It would avail little from the standpoint of the worker or society to

34. "Employment of Women in France before and after the War," *Monthly Labor Review*, vol. xi, August, 1920, pp. 314-8.

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have an adequate wage scale for women if protracted and excessive hours of employment were to continue. Unless increased purchasing power in such things as food and clothing is correlated with an amount of leisure giving opportunity for improved education, wholesome recreation, family life, study, and exercise of the duties of citizenship, the reconsideration of women's industrial position will not have advanced far. The ideal of the forty-hour week for women workers has not yet been attained in the United States, but encouraging progress is being made. Employers have generally accepted the fact that long hours do not make for efficient production. Except in the most backward states, the outlook is promising. There are many industries, however, in which women are employed at night.

Excessive hours of labor, night work, and overtime are peculiarly injurious to women workers. Numerous studies in Great Britain and the United States have revealed a definite relation between hours of work, night work, and overtime on the one hand, and industrial efficiency, output, and health on the other. Fortunately in most localities and industries in the United States night work for either men or women is increasingly frowned upon and is decreasing. The majority of employers in industry consider night work to be even more undesirable for women than for men.³⁵

Industrial fatigue is an especially serious problem where women are employed in exacting occupations. Fatigue is often defined as the sum of the results of activity which show themselves in a diminished capacity for doing work. It is measured by decreased output. Permanent physical and mental injury may result from fatigue, thus affecting adversely the worker's future industrial career. For both the social and economic well-being of the workers, hours of labor must not be too long to preclude recovery from fatigue by rest from work and by sleep.³⁶ Evidence indicates clearly that industrial life is more severe on women than on men. Women do not stand the strain so well and they

35. Pidgeon, "Women in the Economy of the United States of America," U. S. Women's Bureau, *Bulletin* no. 155, 1937, pp. 9-10.

36. Illinois Industrial Survey, *Hours and Health of Women Workers*, Springfield, State Department of Labor, 1919, pp. 8, 9.

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have more lost time on account of sickness than have men. Occupation is the chief factor, but household duties and children contribute to the result. Because of their greater susceptibility to fatigue, women's liability to accident is increased. Their accidents are apparently twice as numerous as those of men when fatigue conditions are similar.³⁷

No small amount of the fatigue experienced by women in industry is attributable to undesirable physical conditions of employment. Frequently no attention is given to such important matters as proper ventilating and heating facilities and the provision of the right kind of seats. For the health of women workers especially, the principle of alternation between sitting and standing should be applied. Where women sit at work they should be provided with chairs of a height that permits operation with the least strain, a back that supports the spine in moments of relaxation, a comfortable seat, and a foot rest.

UNEMPLOYMENT AMONG WOMEN. Our discussion of the problem of unemployment has already indicated that nothing dampens the hopes and aspirations of modern wage earners more than does the constant fear of economic insecurity. From the standpoint of regularity of employment wage-earning women are particularly unfortunate in their occupational life. Consequently, the effects of unemployment upon women workers are likely to be extremely serious. The seasonal trades, such as sewing, garment making, canning, millinery, feather and artificial flower making, paper box making, and the confectionery industry, employ large numbers of women. They are also employed in large numbers in the mail-order business and other mercantile establishments where rush seasons prevail.

The period of the Great Depression in the 1930's illustrates the influence of unemployment upon women wage earners. The overcrowding of the labor market imposed severe hardships upon women who were compelled to earn a living for themselves and often for dependents. Many of them lost their jobs and large numbers could obtain work only at less remunerative ones. For many there were drastic reductions in pay for jobs that even in prosperity had paid barely enough to live

37. See "Effect of Industrial Employment on Health of Women Workers," *Monthly Labor Review*, vol. xx, May, 1925, pp. 1062-4.

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on. Large numbers of women who previously had not been employed in gainful occupations were forced by economic circumstances to enter the labor market.³⁸ It is true, of course, that economic retrenchment caused many employers to hire women because they offered a cheap labor supply. On the other hand, women were compelled to face a stricter examination of qualifications than previously. "Any qualifications of women that had come under scrutiny before were now examined with redoubled attention. Especially did employed women suffer a singling out for public criticism and even loss of jobs."³⁹

There was a quickened interest in unemployment among women when the Unemployment Census of the United States, taken in November, 1937, showed more women employed at that time than in 1930, while employment of men showed a decline. Immediately there was a revival of the old discussion of men's displacement by women. The facts indicated, however, that the increase in the number of women employed was necessary to supply the demands of new types of service requiring female labor and the expanded needs of old types of occupations that traditionally employ women. In the first place, there has been more activity in recent years in occupations that normally employ women than in those which normally employ men. For example, the restaurant business and other service trades employing large numbers of women were less severely affected by the Great Depression than the heavy industries and construction, which employ men almost exclusively.

A second factor revealed by the Unemployment Census was that the number of women actually employed or looking for work in November, 1937, was almost 30 per cent above the expectations based upon population growth. Over 3 million women who normally would not be working or hunting jobs were forced by the depression to join the nation's labor force. Most of these women will probably be eliminated from the labor market when jobs for men become so abundant as to absorb surplus labor.⁴⁰

It is a serious error to assume that economic depressions do not bring

38. *Ibid.*, p. 35.

39. *Ibid.*

40. National Industrial Conference Board, *op. cit.*

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widespread unemployment to wage-earning women. At least 2 million women were out of work during the worst period of the Great Depression in the United States. About one-fifth of all the women normally employed were without jobs. For example, a study of unemployment in nineteen of the largest cities of the United States, representing more than one-fifth of the employed women in the country, showed that 26.2 per cent of the men and 18.9 per cent of the women normally in gainful work were unemployed in January, 1931.⁴¹ The 1937 Unemployment Census showed that 24.7 per cent of the women and 18.2 per cent of the men were out of work.⁴² In 1934 the Federal Emergency Relief Administration reported that women who normally were employed constituted 30 per cent of all persons on relief in towns and cities of more than 2500 inhabitants. These figures do not include women who had only part-time work. Noteworthy also is the fact that one-tenth of the jobless women were heads of families, which meant that they had dependents for whose support they were responsible.⁴³

Reference has been made to the fact that women suffer much from the irregularity of employment which characterizes the seasonal industries. Many of these industries, which are large employers of female labor, have well-defined busy seasons. Clothing manufacture, food processing, and merchandising are among those having peaks of production and employment. An inquiry by the Women's Trade Union League in the autumn of 1936 uncovered the following facts concerning the number of full-time weeks ordinarily worked in a year by its members in certain industries.⁴⁴

Average Full Work Weeks a Year

Shoes	24 or 25
Garments, ladies dresses, coats, and suits	26

41. See U. S. Women's Bureau, "Employment Fluctuations and Unemployment of Women," Bulletin no. 113, 1933.

42. U. S. Women's Bureau, "Memorandum on Unemployment of Women," October, 1938, p. 2.

43. Pidgeon, "Women in the Economy of the United States of America," *op. cit.*, p. 36.

44. Cited in *ibid.*, p. 39.

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Average Full Work Weeks a Year

Gloves	35 or 40
Hats, caps, and millinery	26 or 30
Printing (typographical union)	41½
Textiles	27

The ill effects of uncertain and irregular employment upon women can scarcely be measured. Periods of feverish overwork alternating with underemployment or unemployment have far more serious consequences for women than for men. Under such conditions the health of women workers is undermined quickly, and with their sources of income partially or completely shut off, the danger of moral degeneration may be very real. The effects of these conditions upon the future well-being of the nation are not difficult to determine.

TOO OLD AT THIRTY. Inquiries by the Women's Bureau of the United States Department of Labor indicate that the woman of middle years is most acutely affected by unemployment.⁴⁵ At the age of thirty, sometimes earlier, women tend to be considered "too old" for certain work. For example, in the cigar and cigarette industries the rapid introduction of new machinery threw out of jobs women thirty years of age and over, who were considered too old to learn the work on the new machines. The seriousness of the situation is evidenced by the fact that a woman over twenty-five finds herself called "too old" when applying for a restaurant job. She is "too old" at thirty if she is seeking a position as a stenographer, and the forty-year mark now eliminates her from many factory jobs.

Open to her still at forty are likely to be the less desirable and very low-paid jobs in the vast unskilled occupations, such as domestic and personal service and, for a very small group, certain professional and business pursuits. Yet, it is an established fact that the attributes which tend to accompany greater maturity constitute a real asset in certain types of work. The middle-aged woman's patience on monotonous tasks and her seasoned judgment and stability fit her for many of the new

45. U. S. Women's Bureau, *The Woman Worker*, vol. xviii, March, 1938, pp. 6-7.

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production techniques in modern industry. In solving the problem of the older woman worker it is necessary, of course, to discover or develop more types of jobs to which she is suited.⁴⁶

TECHNOLOGICAL CHANGES AND WOMEN'S EMPLOYMENT. New machinery and changing industrial processes take their toll of women's jobs, as they do of men's. The consequences of new inventions and processes are varied. Frequently, the machine invader causes immediate loss of accustomed jobs. In many industries the skilled are replaced by machines, and women are employed in the less skilled jobs of tending these machines. There are many instances in which new industries or new services arise as a consequence of new methods and new machines, and some of these employ large numbers of women. Thus old labor markets are destroyed and new labor markets are created by technological change.

Much too frequently, from a social point of view, economic insecurity and uncertainty issue from the dynamic nature of modern industry, in which eagerness for profits and decreased costs constantly drives the entrepreneur to search for new and better ways of performing old tasks. The cigar industry provides a significant example of the technological displacement of women on a considerable scale. An interview with over one thousand women who had lost jobs in cigar manufacture prior to 1930 revealed that 96 per cent of them were out of work because of the closing down of the factories in which they had been employed.⁴⁷ Improved equipment introduced into other factories was the major factor in this unemployment. Nearly one-half of these women had worked in the industry for 10 years or longer, and about one-fifth for at least 20 years. More than one-third of them never found re-employment in the cigar industry. It was estimated that in the period from 1919 to 1933 no less than 22,000 cigar workers lost their jobs because of technological changes.⁴⁸

The above is not an isolated case. A study of two hundred and fifty

46. *Ibid.*, p. 7.

47. See U. S. Women's Bureau, "The Effects on Women of Changing Conditions in the Cigar and Cigarette Industries," *Bulletin* no. 100, pp. 38, 49, 52, 53.

48. W. D. Evans, "Effects of Mechanization in Cigar Manufacture," *Monthly Labor Review*, vol. 46, May, 1938, p. 1113.

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technological changes in plants of various types that had employed large numbers of women showed that in the period from 1921 to 1931 not less than 44 per cent of the employees were dropped because of such changes. The introduction of new machinery or of better tools and more efficient plant routing or new methods of using labor power were responsible for a wave of labor displacements. In the cases just cited, improved technology was the sole cause.⁴⁹

The constant tendency toward more efficient operation of plants affects women workers in innumerable industries, only a few of which need be cited here. In the manufacture of needles, one girl now inspects as many needles as nine could before the improved method was introduced. In telephone operation, a complete change to the dial system in one city reduced the number of employees by one-half. Where formerly twelve girls were required to pack 17,000 boxes of cereal a day, the task can now be done with the aid of machines by only five girls. In the wrapping of cracker boxes by the hand process three girls wrapped nine boxes a minute, whereas a machine with only two girls now wraps fifty-five boxes.⁵⁰ Such instances could be multiplied almost indefinitely.

Generalization concerning the relative influence of new machines, new processes and methods, and new organizational and operational procedures upon men and women is dangerous. Both sexes are affected; sometimes more men, sometimes more women lose their jobs. The Pennsylvania unemployment survey in 1934, for example, showed that 31 per cent of the women and only 27 per cent of the men were so affected. In numerous other cases, more men than women have been displaced.⁵¹ The significant fact to remember is that the incessant advance of technology in modern industry is constantly taking jobs away from men and women.

MARRIED WOMEN IN GAINFUL OCCUPATIONS. Of the 10,752,116 women

49. U. S. Women's Bureau, "Technological Changes in Relation to Women's Employment," Bulletin no. 107, pp. 5, 11, 20.

50. Pidgeon, "Women in the Economy of the United States of America," *op. cit.*, pp. 42, 43.

51. *Ibid.*, p. 44.

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gainfully employed in the United States in 1930, approximately 29 per cent were married, as compared with 23 per cent in 1920. It has been estimated that if this classification were expanded to include widowed and divorced women, the figure would be about 46 per cent of all gainfully employed women. The general explanation of this extraordinary situation is that large numbers of men have lost their jobs, are too ill to work, or are earning less than is sufficient to support their families properly.⁵²

Government figures undoubtedly underestimate the number of married women gainfully employed because many women who are employed intermittently do not report themselves as wage earners, and even when they enter industry more or less permanently they may conceal their conjugal relation, fearing that such a fact will militate to their disadvantage. Large numbers of married women work in seasonal industries, such as agriculture and canning, and they form a considerable portion of the industrial home workers, yet they do not give their status as that of wage earners.

Married women who enter industry may be classified according to the conditions that account for their employment. There are those who must seek employment outside the home because they are the chief support of their families; those who enter industry from preference, not impelled by the pressure of economic circumstances; and those who are intermediate between these two groups, whose employment is more or less irregular and whose entrance into industry is determined by the variable factors of economic conditions in a given trade, locality, or the country as a whole. The first group includes the wives of men who, because of physical, mental, or moral incapacity, cannot earn wages. In this group may be included also widows and unmarried mothers with dependent children. Such persons must either choose gainful employment or fall back upon private or public charity.

The second group comprises the wives of those who have fairly good incomes. Such women desire to improve their economic and so-

52. See U. S. Women's Bureau, "Women at work," *Bulletin* no. 115, (Washington, 1934), pp. 7, 8.

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cial status, to become more or less independent of their husbands' earnings, or to escape what appears to them to be the monotony and inadequacy of domestic life. Sometimes, too, married women in this group enter outside occupations temporarily in order to augment the family income with a view to purchasing a home or for some other purpose.

The third group of married women workers consists of those whose husbands receive very inadequate wages, whose work is casual or irregular, or who are unemployed. Irregular employment of men is not only an evil *per se* but a direct inducement of married women's work. The greater the economic insecurity of the husband, the greater is the tendency for the wife to become and to remain a wage earner.⁵³ Generally speaking, married women are gainfully employed because economic necessity compels them to earn a living.

The employment of married women is increasing rapidly in the United States. Although all employment of married women may not be injurious, there can be no doubt that when mothers have to assume the responsibilities of domestic duties and industrial employment, the physical and mental effects are serious. It is a primary duty of society to make unnecessary the industrial employment of mothers, either through the provision of mothers' pensions or through the legal guaranty of a living wage for male workers. So long as married women are employed, society must protect them from exploitation.

The married woman in industry, who is forced to work because of economic necessity brought about by her husband's death or inability to earn an adequate wage for himself and his family, must usually take whatever job she can get, without too much question of wages or hours. But she is the one worker in all the group who most needs the protection of the law, for the care of her children and household will take many hours and much strength, and her health will suffer if hours of work are not limited.⁵⁴

American experience has shown that many gainfully employed mothers must leave small children at home alone or in the care

53. *Report of the British War Cabinet Committee on Women in Industry* (London, Ministry of Labour, 1919), pp. 23, 24.

54. U. S. Women's Bureau, "Health Problems in Industry," *Bulletin* no. 18, 1921, p. 5.

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of older brothers and sisters because they have no other choice.⁵⁵

The employment of married women has occasioned much criticism not only from some employers, but also from male employees, single women, the public, and politicians. The opposition tends to increase during periods of depression, as is evidenced by the wave of protest that appeared in the depression of the 1930's. Government employment of married women was bitterly denounced throughout the Great Depression. Married women are likely to be the first to be laid off in periods of unemployment, despite the fact that the great majority of them have entered gainful work because of economic pressure rather than in response to a desire to find a career or escape the drudgery of house-keeping. The evidence shows that in most cases, "they have become breadwinners because of the husband's insufficient or irregular earnings or because of unemployment, illness, or inability to provide for the family."⁵⁶

It is well to re-emphasize here that throughout the United States large numbers of homes are dependent upon the earnings of women, and that many others rely upon women's earnings to supplement those of the male breadwinner.⁵⁷ Nor does this statement apply merely to married women. Many single women, through no choice of their own, are compelled to support parents or brothers and sisters, or they must share their earnings with other relatives dependent upon them.⁵⁸ Moreover, practically all such women—young or old, married or single—must contribute in labor in addition to the financial contribution to the home. This double burden of homemaking and breadwinning is a heavy tax upon their strength. Of the family heads in the United States not less than one-tenth are women. In practically one-sixth of the urban families in this country, the only wage earners are women.

55. U. S. Women's Bureau, "Fact Finding with the Women's Bureau," *Bulletin* no. 84, 1931, p. 32.

56. Mary Anderson, Director of the U. S. Women's Bureau, "Women Wage Earners and Their Responsibilities to Home and Family," radio broadcast, March 5, 1930.

57. U. S. Women's Bureau, "Fact Finding with the Women's Bureau," *op. cit.*, p. 32.

58. *Ibid.*

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More than one-third of all wage-earning women are homemakers as well as employees; they thus assume a double responsibility to those depending upon them for financial assistance as well as for the social ministrations required in the home.⁵⁹

THE SWEATING SYSTEM AND INDUSTRIAL HOMEWORK. The sweatshop system, under which many women and children have long been employed, is not a new evil in industry. "The sweating system is one of respectable antiquity, and is a surviving remnant of the industrial system which preceded the factory system, when industry was conducted chiefly on the piece-price plan in small shops or the homes of the workers."⁶⁰ The problem has commanded public attention in England for several centuries; in the United States it was one of the evils ushered in with the factory system.

The sweating system was encouraged in this country by the presence of immigrants even before the last quarter of the nineteenth century, but it was not until the latter period that the problem assumed such serious proportions as to arouse public opinion. In this, as in many other economic evils, the new immigration was a responsible factor. This resulted in an oversupply of cheap labor caused by the constant influx of immigrants unable to speak English, who, because of financial destitution, had to accept employment regardless of the conditions that prevailed. With the coming of the Jews from Hungary, Germany, Austria, Russia, and Poland subsequent to 1880, the practice of sweating took on a new lease of life. Later, the Italians and other nationalities became victims of the system.

Another factor conducive to sweating is the advantageous position of the small shop in certain industries. Homework is favored by contractors because legal regulation of conditions within the home is difficult, an abundant supply of cheap labor is made available, and there are no overhead charges.

A report on the sweating system in Chicago, issued by the Bureau of Labor Statistics of Illinois in 1892, defined sweating as the farming

59. Pidgeon, "Women in the Economy of the United States of America," *op. cit.*, p. 7.

60. Edith Abbott, *op. cit.*, pp. 74, 75.

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out by competing contractors of the material for garments, which in turn is distributed among competing men and women to be made up. The middleman or contractor is the sweater, although he himself may be subjected to pressure from above, and his employees are the sweated, or oppressed. The sweater contracts to make up certain garments at a given price per piece and then hires other people to do the work at a lower price. His profit lies in the difference between the two prices. In England a committee of the House of Lords reporting in 1888 described the sweater as follows: "In some cases the man known as the sweater is merely an agent knowing nothing of the business. Sometimes he acts the part of a foreman and directs the work of every branch, undertaking the whole business thoroughly. Sometimes he works as hard as any of his employees."

The sweatshop has been the most persistent in the clothing industry, although it has been introduced into other lines of manufacture—cigar making, bakeries, laundries, artificial flower and feather making, and paper box making. There are two principal methods of carrying on sweated industry. The sweater may furnish shop room and machines to his employees or he may allow others, usually finishers, to take the work to their living and lodging rooms in the tenements. Under the second method the individuals may work in their own homes, and the employee force may consist entirely of the immediate family; or certain persons outside the family may be employed to perform particular kinds of work. The sweating system flourishes where population is congested (as in our American cities), where contract work is practicable, and where the methods of production do not involve a heavy investment in machinery. Under whatever form sweated industry is carried on, the resultant evils appear to be the same everywhere, namely, low wage scales, excessive hours of labor, speeded-up workers, unsanitary conditions of employment, and the employment of very young children and women.

Because of these evils, public attention has been directed to homework and other forms of sweating, partly on economic grounds to secure proper rates of compensation for such workers, and partly from hygienic or sanitary motivations in order that work may not be done

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under conditions that are inimical to the public health. The dangers to the consuming public are obvious when one remembers that production under sweatshop methods takes place frequently in overcrowded tenement homes in which all kinds of contagious diseases develop because of the lack of sanitation. Even when the cutting of garments is done in "inside shops" of the manufacturer, finishing takes place in the homes, and the goods are distributed to the public, germ-laden and unclean.

Immediately preceding the Great Depression of the 1930's there were evidences that the sweating system and industrial homework were on the decline and would soon practically disappear. Some fourteen states have laws that limit the practice of industrial homework; nevertheless, it has increased with the general breakdown of employment standards incident to the depression. Employers unable or unwilling to meet the necessary overhead of factory operation are again giving the work out to be done in homes at extremely low wages.⁶¹ Driven by economic necessity, women have submitted to appalling exploitation, according to governmental reports.

In squalid tenement homes that are badly heated and lighted, women driven by family need, and having little or no industrial experience, make or finish garments, string tags, card buttons, hooks and eyes, or safety pins, make garters, knit or embroider, and work on cheap jewelry, lamp shades, flowers, powder puffs, paper boxes and bags, carpet rags, and toys for distressingly low wages.⁶²

The industrial homework system has recently spread to the South. Factories are farming out industrial work to be done under wholly unregulated conditions, with the usual result that working hours are long and wages low. The type of work is much the same as in the North; it includes making artificial flowers, sewing buttons on cards, clocking hosiery, embroidering children's clothing, shelling pecans, attaching drawstrings and disks to tobacco bags, and stuffing and stitch-

61. U. S. Women's Bureau, "Women at Work; A Century of Industrial Change," *Bulletin* no. 115, (Washington, 1934), p. 9.

62. *Ibid.*

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ing baseballs. Homework earnings in the South, as in the North, are always below factory earnings. For example, a study of homework on infants' wear showed that the women had greatly exceeded factory hours but that half of them had received less than \$2.73 for the week's work. Tennessee and Texas are the only southern states that have tried to regulate such work by law.⁶³

The sweatshop continues to survive in the clothing trades, with severe hardships for the women and girls who work in them. These shops frequently work on contract for larger firms and compete unfairly with the many employers who have contracts with organized labor and treat their workers justly. The sweaters either evade labor laws or "run away" to small communities where regulations are less strict or do not exist.⁶⁴ "The \$2.98, \$3.98 and \$4.98 dresses that fill store windows today are due to the fact that poverty is forcing large numbers of girls to work for inhumanly long hours and at starvation wages rather than have no work at all."⁶⁵ It is not difficult to visualize the serious consequences to themselves and society which issue from the employment of hundreds of thousands of women and girls at wages that are too low to provide the requirements of health and decency. Such exploitation is also disastrous to the smooth operation of our industrial system, since wage earners constitute the vast majority of consumers. Paid insufficient wages, workers cannot buy back the products which they have so largely helped to produce, with the inevitable result that our industrial system, based upon production for profit, cannot operate smoothly and successfully.

The census reports of 1930 indicated at least 77,000 homes in forty-eight states where the homemaker, assisted by members of the family, was employed with some regularity by industry. The degree of exploitation which existed under the system and the inadequacy of the family income is shown by hourly earnings, as follows:⁶⁶

63. U. S. Women's Bureau, *The Woman Worker*, vol. xviii, September, 1938, pp. 3, 4.

64. *Ibid.*, p. 10.

65. *Ibid.*

66. U. S. Women's Bureau, "The Commercialization of the Home through Industrial Homework," Bulletin no. 135, pp. 15, 20-30.

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OCCUPATION	HOURLY RATES OF PAY
Artificial flowers	6¢ to 37½¢
Carding buttons	8¢ median
Stringing tags	2½/17¢ to 10¢
Lace pulling	3½¢ to 23½¢
Crocheted berets	4¢ to 5¢
Crocheted heading on bags	9¢
Embroidering	11¢
Lace cutting	18¢

Another inquiry showed that three-fourths of the households engaged in lace making earned less than \$10.00 a week, and two-thirds, less than \$7.00 a week. In homework other than lace making, three-fifths of the households earned less than \$6.00 a week.⁶⁷

The consumer gains nothing by the reduced cost of production. He pays the market price and runs the risk of contracting disease by purchasing clothing and other commodities made in all sorts of homes. Custom tailored garments, although higher priced, are in many cases made under similar conditions in home tailor shops.

While the practice of sweating will continue to exist for some time at least, there is every indication that it is destined eventually to disappear. This is particularly true of homework, which is opposed to the centralizing and standardizing tendencies of modern industry. Far more important than these economic forces in the elimination of both of these evils is the influence of legislation and consumers' organizations. The legal minimum wage practically means death to sweating. Education and publicity are also effective correctives. In the United States public opinion against sweating has been crystallized through the National Consumers' League which, by means of its "White List," approves mercantile establishments that are fair to their workers and that maintain desirable conditions of employment, and, by means of the "Consumers' League Label," approves the products of manufacturing establishments that operate in obedience to factory laws, that manufacture all goods on the premises of the employer, that have no over-

67. Harriet A. Byrne and Bertha Blair, "Industrial Homework in Rhode Island, with Special Reference to the Lace Industry," U. S. Women's Bureau, Bulletin no. 131, 1935, p. 3.

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time and employ no children under sixteen years of age. The union label is also used widely to discourage the consumption of sweatshop products and to stimulate consumption of commodities produced in union shops.

Education of immigrant children and Americanization of adult immigrants will destroy the present separation of foreigners from America's cherished institutions and standards and will do much to abolish sweating. The Women's Bureau of the United States Department of Labor is doing excellent work along the line of investigation and recommendation of standards of employment. A final aid to the emancipation of the workers from sweatshop conditions is the spread of organization. The garment workers in the United States have achieved a remarkable degree of efficiency in organization and collective bargaining, which suggests that in the future sweated workers may be less helpless than they have been in the past.

Legal regulation of homework and the small shop has been opposed on the ground that it is an arbitrary exercise of governmental power and constitutes an oppressive measure. That such a system of employment tends inevitably to depress the wages of better organized workers and to lower the standard of living and is carried on under conditions dangerous to the public health is sufficient justification for legislative control. Education of the public is very essential. Consumers must be made familiar with the undermining effects which industrial homework has upon family life, as well as upon standards of wages and conditions of labor in factories. The price that society pays in relief to home workers, the lack of protection against unsanitary conditions, and the ill effects upon children must be recognized if a final solution to this problem is to come.

ACCIDENTS AND OCCUPATIONAL DISEASES AMONG WOMEN WAGE EARNERS. Accidents among women wage earners are actually and relatively fewer than among men.⁶⁸ Women constitute a smaller proportion of the to-

68. See U. S. Women's Bureau, "Industrial Accidents to Men and Women," Bulletin no. 81, 1930; "Industrial Injuries to Women in 1928 and 1929 Compared with Injuries to Men," Bulletin no. 102, 1933; and Ellen D. McKean, "Women Are Different," *National Safety News*, vol. 31, June, 1935, pp. 21-22 ff.

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tal injured than they do of the total gainfully employed. However, the proportion of accidents among female workers manifests a tendency to increase. The greater proportion of injuries to women is among those under twenty-one years of age, and in this group women's records compare unfavorably with those of men.⁶⁹ One-half of the accidents to women workers occur in manufacturing—chiefly food, clothing, textiles, metals, machinery, and vehicles. Five main types of accidents cause 80 per cent of the injuries to women workers. In these, machinery is the major factor, accounting for fully a half of the total. Total and permanent injury to women workers is relatively not so great.⁷⁰

In view of the wage data previously presented, we should expect to find that at time of injury women invariably are on a much lower wage scale than men. The majority of women earn less than \$20 a week, whereas only a small percentage of men do so. The importance of this fact in this connection is that, chiefly because of their smaller wages, women receive, even for comparable disability, much less accident compensation than do men.⁷¹ For example, in 1930 in Illinois the average amount of compensation paid for each accident was \$240 for men and \$100 for women, or 58.3 per cent less for women. Of the fatal accidents, the average compensation paid was \$2734 for men and \$1154 for women, or 59.8 per cent less.⁷² Moreover, women have no protection against accidents in such important woman-employing industries as agriculture and domestic service, which invariably are excluded from labor legislation. In addition to improving accident legislation, it is necessary to protect women from excessive fatigue; to provide properly designed chairs, suitable rest rooms, and relief from monotonous jobs, and to require them to wear safe clothing. It has been observed frequently that vanity, manifested in unwillingness to wear sensible clothing and shoes while at work, is an important cause

69. U. S. Women's Bureau, "Industrial Accidents to Men and Women," Bulletin no. 81, 1930, p. 13.

70. McKean, *op. cit.*, p. 22.

71. Margaret Mettert, "Industrial Injuries to Women in 1930 and 1931 Compared with Injuries to Men," U. S. Women's Bureau, Bulletin no. 129, 1935, p. 3.

72. *Ibid.*, p. 54.

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of accidents among female workers. One of the greatest causes of accidents among women is said to be lack of self-control, caused by nervous instability, a psychological factor that is difficult to eliminate.

The available data on occupational diseases among women wage earners are fragmentary. Because of failure of the states to make adequate reports, the number of workers affected by occupational diseases cannot be determined.⁷³ The reports that are available show that dermatosis is the most common affliction, accounting for three-fifths to seven-eighths of all cases. Skin irritants are commonly used in industries employing women, which explains the importance of dermatosis as a factor in this problem. Lead poisoning also is a serious occupational disease among women wage earners, but it is encouraging to note that cases of lead poisoning are decreasing both in number and severity. Women are exposed in considerable numbers to benzol and other toxic solvent fumes in industry, and investigations indicate that they are especially susceptible to benzol poisoning. In many cases the dangers involved in the use of such poisons are not known or the nature of the poison is hidden by the trade name. Other industrial poisons which seriously affect the health of women workers include zinc, petroleum products, carbon tetrachloride, carbon monoxide, gas and fumes, cyanide, and arsenic. Experience shows that women need special protection from conditions predisposing to lung disease, since respiratory infections are definitely connected with women's occupations.⁷⁴ A large proportion of workers injured by occupational diseases, especially among women employees, is in the younger groups. Until more complete information is obtainable and the public is made more familiar with the seriousness of occupational diseases as a problem of contemporary industry, progress toward reduction and eventual elimination of such diseases will be slow. In some states encouraging advance has already been registered.

73. See Margaret Mettert, "State Reporting of Occupational Disease, Including a Survey of Legislation Applying to Women," U. S. Women's Bureau, *Bulletin* no. 114, 1934.

74. *Ibid.*, p. 7.

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Questions for Class Discussion

1. From a social point of view, does the employment of women in modern industry involve peculiar dangers?
2. What have been the most significant causes of the extraordinary increase in the employment of women in American industry?
3. How may we account for the widening distribution of women's occupations in recent decades? Does this economic change indicate the need for a new social attitude and a new social policy with regard to the education and training of women?
4. What do you regard as the most pertinent facts concerning the age, nativity, and geographical distribution of gainfully employed women?
5. Have the greater employment opportunities for women meant a diminution in the employment opportunities for men?
6. In what types of gainful employment is the competition of female with male labor likely to be the most acute and occasion the most displacement?
7. Do wage data support the contention that women quite generally are underpaid?
8. How may we explain the general tendency of women's wages to be lower than men's, even when the quality and quantity of work are identical?
9. Does industrial experience substantiate the belief that women generally are less efficient than men?
10. Do the problems of hours of work and industrial fatigue have a peculiar significance in the case of women employees?
11. Does the problem of unemployment tend to be more severe among women workers than among men? If so, how do you explain it?
12. Are technological changes likely to affect female workers more adversely than male workers?
13. Do women employees suffer disproportionately from the tendency of modern industry to scrap middle-aged workers?
14. What conditions are responsible for the increasing employment of married women in American industry? Is this to be regarded as a socially desirable trend?
15. How do you explain the fact that the sweatshop persists in supposedly enlightened communities?
16. Are the problems of industrial accidents and occupational diseases serious among female employees? If so, what age group appears to suffer most?

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Chapter 14

CHILD LABOR

¶ ORIGIN AND GENERAL NATURE OF THE PROBLEM. Children have always contributed to the economic life of nations, but it was not until the era of the modern factory, with its power-driven machinery and technical processes, that their labor was made marketable in competition with that of men and women and their employment gave rise to a serious economic and social problem. Industrial and commercial expansion resulting from the Industrial Revolution of the eighteenth century led to severe competition for foreign markets as an outlet for surplus products.

The demand for cheap labor became general and insistent. It was to the advantage of the capitalistic nations to keep the cost of production as low as possible, in order to market successfully the products of their industries and so enhance their profits. Both at the dawn of the modern industrial era and throughout the subsequent expansion of capitalism there existed a large supply of child labor which could be engaged at very low wages, a reserve of youthful human power that could be easily exploited if the machinery of production could be adjusted to the physical capacity of children and adolescents. Improvement in the technical processes of production and the introduction of easily operated machines requiring little skill and no great amount of physical strength soon made possible the employment of this practically untouched supply of cheap labor. Thus the child worker was introduced to modern industrialism, and his exploitation at once constituted one of the many evils incident to the emergence of capitalistic production.

Child labor has been defined as "the work of children under conditions that interfere with their physical development, education, and

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recreation. It is the employment of children at unfit ages, for unreasonable hours, under unhealthful or hazardous conditions, or while school is in session.”¹ This definition indicates very clearly the essentially social nature of the problem. In reality a series of social problems develop whenever and wherever children and adolescents are employed under circumstances that deprive them of the opportunity for normal development. Both the individual and the community necessarily suffer from the employment of young persons at too early an age, under conditions that are detrimental to health, and at wages which from any standpoint, other than that of profit making, are inadequate. It is an indisputable fact that the employment of children and adolescents for excessive hours or at work which overtaxes their physical strength not only precludes normal physical development but often results in permanent injury to health. Such employment, it has been appropriately observed, “deprives them of the schooling and recreation necessary for developing and perpetuating in the individual the fundamental physical, mental, moral, and social capacities of the race.”²

The problem of child labor is complicated and its solution retarded because the standards of public opinion as to what constitutes the conditions essential to “normal development” are constantly changing. “Even today all communities are not agreed as to the age at which children should be permitted to enter regular employment, nor as to the types of work in which they should be permitted to engage.”³ The problem must, consequently, be regarded as a changing one, the seriousness of which diminishes as an increasingly enlightened public opinion manifests itself in higher standards, improved regulations, and restricted employment. However, the problem is inevitably intensified as new inquiries reveal the adverse effects of industrial work on the normal development of growing boys and girls.”⁴

It is evident, then, that the employment of children is a phase of the general problem of child welfare involving far-reaching physical, moral,

1. National Child Labor Committee, *Child Labor Facts*, 1938, Publication no. 372, p. 3.

2. U. S. Children's Bureau, *Child Labor Facts and Figures*, Publication no. 197, 1933, p. 1.

3. *Ibid.*

4. *Ibid.*

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mental, and economic effects. The employment of children in modern industry prevents normal physical and mental growth. The period of schooling is cut short by the necessity for entering industry. The gainfully employed child is denied educational opportunities above the absolute minimum required by school laws. This fact militates against his occupational adaptability and affects adversely his chances for economic well-being in later life. Moreover, he is denied the privilege of acquiring the cultural basis for completeness of living and the requisite knowledge for the assumption of the duties of intelligent citizenship in a democratic community. There is a definite causal relation between the extent of child labor, on the one hand, and educational backwardness and illiteracy, on the other. Those states that have a relatively high ratio of child workers also have the highest proportion of illiterate adults.⁵ Agricultural communities, especially in those sections of the country in which unfavorable economic conditions prevail, frequently have a low rate of school attendance and a high rate of child labor. It is in such communities that the adult population is likely to be uneducated, if not illiterate.⁶ It is quite true that intelligence tests given employed children have frequently indicated inferior mental ability. Undoubtedly, mentally superior children are fewer in number among working children than among the school population, if test scores are a reliable index of intelligence.⁷ Studies indicate, however, that frequently it is a case of individual aptitudes rather than of inferiority or superiority in intelligence. Employed children are more likely to be motor-minded than book-minded and need the benefits of further training as much, if not more, than children of quick intellect.⁸ In a dynamic technical civilization such as ours, proper occupational adjustment and capacity for rapid readjustment may spell the difference between employment and unemployment.

The adjustment of youth to the occupational aspects of the times is likely to require ready adaptation to the routines of frequently changing ma-

5. *Ibid.*, pp. 22-3.

6. *Ibid.*, p. 18.

7. Alice Channing, "Employed Boys and Girls in Rochester and Utica, New York," U. S. Children's Bureau, Publication no. 218, 1933, pp. 65-7.

8. *Child Labor Facts*, 1938, *op. cit.*, pp. 32-3.

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chines; the inventiveness and ingenuity to develop possible new types of work; or the ability to give superior and varying kinds of service. In education, these tendencies mean, on the one hand, the intensification of technical training and, on the other, training in adaptability to a series of divergent but closely allied occupational possibilities.⁹

The confinement and strain of industrial life are likely to injure the child worker permanently. The undeveloped muscular and nervous systems are unable to resist the wear and tear of toil, and fatigue soon sets in. It has been found that children are much more liable to industrial accidents and more susceptible to occupational diseases than are adults. Experience has also shown that child labor and delinquency are intimately related, and that the child who enters industry at an early age is likely to feel his economic importance and become less amenable to parental discipline.

A no less important aspect of the child labor problem is its economic effect, the most serious phase of which is the displacement of adults by child workers. "Child labor must be counted as one of the most important causes of unemployment among adults. For some particular processes young persons are preferred to adults because of greater nimbleness or manual dexterity; but the principal cause which leads to their employment in the place of grown persons is probably the lower wage at which they can be hired."¹⁰ Depression of the wage scale is one of the serious by-products of child labor. Investigations have shown that where child labor is common the earnings of adults tend to fall off, so that the additional earnings resulting from child labor do not materially increase the total income of the family.

It should not be understood that all child labor is injurious. There is an element of truth in the conception that prevailed among our Puritan ancestors that employment is beneficial to the average child. But the confinement of the modern factory, the hours of monotonous toil, and the denial of opportunities for education and pleasure rightfully belonging to childhood are the factors that make the employment

9. Mary Elizabeth Pidgeon, "Women in the Economy of the United States of America," U. S. Women's Bureau, *Bulletin* no. 155, 1937, p. 19.

10. United States Industrial Commission, *Final Report*, 1915, vol. xix, p. 918.

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of children a menace. The gravity of the problem must always be measured in terms of the answers to certain fundamental inquiries. Is the child worker able to reach maturity with his health and physical vitality unimpaired? Does the child who enters industry at an early age receive training that will contribute to his efficiency as an adult worker? Does employment of a child preclude the amount of education necessary to equip him for the enjoyment of rights and the performance of duties bestowed upon the citizen in a democracy?

DEVELOPMENT OF THE PROBLEM IN THE UNITED STATES. In the United States the manufacture of textiles, except for family use, had scarcely begun when the famous inventions of the power loom, the spinning jenny, the spinning mule, and the steam engine came into use. For some time America escaped many of the glaring evils that had made their appearance in the industrial life of England as a result of the Industrial Revolution. Our development was evolutionary rather than revolutionary in character. This was the result of many causes, but especially of the fact that the new machinery was introduced slowly into our industrial life.

As the economic life of America developed, however, the small factory gave way to the larger establishment, the intimate relations that had obtained between employers and employees began to disappear, and standards of employment were lowered. Child labor soon gained favor, even among so-called respectable and philanthropic persons. The introduction of child laborers into our early factories was the logical result of the colonial conception of the social value of child labor, the provisions of the poor laws which sought to prevent children from becoming public charges, and the desire of manufacturers for a supply of cheap labor.

The propriety of child labor was scarcely questioned; indeed it became a virtue to rescue children from the "demoralization of idleness." Methods of dealing with pauper children reflected the influence of the mother country. The extent of apprenticeship and the conditions that attended it in colonial communities are not known exactly. After careful examination of historical evidence, Edith Abbott suggests

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that¹¹ "the work was in some cases very heavy, and the treatment severe and unkind . . . although conditions varied greatly according to the character of the master and his home." The children were not necessarily taught a trade. In all probability the evils of early child labor in this country were not so great as those incident to the modern factory, but evidence indicates that children from eight to fourteen years of age were employed, and that women and children frequently constituted the total working force.

It was commonly believed that these children would find in industry protection from the vice and immorality of idleness. In 1789 the petition for the first cotton factory, at Beverly, Massachusetts, was based partly on the ground that it would "afford employment to a great number of women and children, many of whom would be otherwise useless if not burdensome to society." A contemporary witness testified to the fact that all of the operatives in the first complete cotton factory in Rhode Island, built by Samuel Slater, the "father of American manufactures," were between seven and twelve years of age. In his "Report on Manufactures," Alexander Hamilton called attention to the usefulness of children in industry. It was a common argument that the work of manufacture could best be accomplished by children. The high cost of adult male labor was undoubtedly responsible for this acceptance and promotion of child labor.

In the decades following the Civil War children became an increasingly important factor in American industrial life. No statistical data with regard to gainfully employed children were compiled prior to 1870, but the census of that year indicated that approximately 750,000 children between the ages of ten and fifteen years were working for a living. By 1880 the number was 1,118,356, an increase of 59 per cent for the decade; and as the century closed in 1900 the total was in excess of 1,750,000, which represented an increase of 56 per cent over the total

11. In this discussion of the development of early child labor the author has drawn freely upon Miss Edith Abbott's excellent article, "A Study of the Early History of Child Labor in America," which appeared in the *American Journal of Sociology*, vol. xiv, July, 1908, pp. 15-37.

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for 1880. According to the census of 1910 there were more than 1,990,000 children between the ages of ten and fifteen years gainfully employed. Some comfort accrued to the friends of children in these decades from the fact that while the absolute number of child workers increased, the proportion remained comparatively stationary.

The unprecedented demand for labor that developed as a result of the World War led to an increase in the number of gainfully employed children. Among the factors that conduced to the employment of child workers were the rapid rise in the cost of living, the drafting of adult males for military service, the allurements of what appeared to be attractive wages, and the spirit of adventure growing out of the excitement of war. Business, industry, and agriculture drew heavily upon child labor. Taking the decade 1910-1920 as a whole, however, it appears that there was a general decrease in both the number and the proportion of employed children.¹² This was encouraging since, it will be remembered, for several preceding decades the proportion had remained comparatively stationary while the absolute number had increased.

The census of 1920 reported over a million children in the United States between the ages of ten and fifteen years, inclusive, gainfully employed, or one out of every twelve of this age group. More than one-third of these children were thirteen years and under. The census did not include the children under ten years of age who are gainfully employed, but investigations show that there were many thousands of these at work in sugar beet fields, cranberry bogs, cotton plantations, and other forms of industrialized agriculture, as well as in street trades, tenement homework, domestic service, and canneries.¹³

The decade of the twenties in the United States, which is often referred to as the "new economic era," witnessed considerable progress in child labor legislation and an increase in school attendance. As in all other periods, child labor followed the trend of business, but substantial advance was made in reducing the employment of children.

12. "Child Labor in the United States, 1910 and 1920," *Monthly Labor Review*, vol. xviii, June, 1924, pp. 1281, 1282.

13. Child Labor Facts, 1927, *op. cit.*, p. 4.

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According to the 1930 census, only 667,118 persons ten to fifteen years of age, or 4.7 per cent of those within this age group, were gainfully employed. As Table 41 indicates, this compares with 1,750,178, or 18.2 per cent, in 1900, and with 1,990,225, or 18.4 per cent, in 1910, the year in which the census reported the largest number of gainfully employed children.¹⁴ Table 41 shows that if to the 667,118 children under 16 employed in 1930 there is added the 1,480,000 young workers of sixteen and

TABLE 41
CHILDREN TEN TO SEVENTEEN YEARS OLD GAINFULLY
EMPLOYED IN THE UNITED STATES, BY AGE GROUPS,
1900 TO 1930

Census Year	10 to 13 Years		14 to 15 Years		16 to 17 Years	
	Number	Rate per 1,000 of these ages	Number	Rate per 1,000 of these ages	Number	Rate per 1,000 of these ages
1900	790,623	121	959,555	309	a	a
1910	895,976	123	1,094,249	307	a	a
1920	378,063	44	682,795	175	1,712,648	447
1930	235,328	24	431,790	92	1,478,841	317

^a Not reported.

SOURCE: U. S. Children's Bureau, *Child Labor Facts and Figures*, op. cit., p. 2. Compiled from *Children in Gainful Occupations*, U. S. Census, 1920 and 1930, and from *Child Labor in the United States*, U. S. Census, 1900.

seventeen years of age, the total in that year embraced more than 2,000,000 boys and girls ten to seventeen years of age, inclusive, or 113 per 1000 of these ages. "This group of workers constitute 4 per cent of all persons recorded by the United States Census Bureau as gainfully occupied."¹⁵ One-third of the number are girls. This means that one in every thirteen of the girl population aged ten to seventeen, inclusive, and 7 per cent of all gainfully employed females, are represented in the total of child female workers. The boys constitute one in every seven between the ages of ten and seventeen, inclusive, and 4 per cent of the total number of males gainfully occupied.¹⁶ About one-third of the

14. Fifteenth Census of the United States, *Population*, vol. 5, p. 545.

15. *Child Labor Facts and Figures*, op. cit., pp. 2-3.

16. *Ibid.*

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2,145,919 boys and girls gainfully employed in 1930 were under sixteen years of age, and more than 10 per cent were under fourteen.¹⁷

The beginning of the Great Depression in 1930 was a signal for the general breakdown of labor standards, particularly child labor standards, resulting in the revival of the sweatshop in certain industries, in long hours of work, and in low wages for child workers. The establishment of the National Recovery Administration (NRA) in 1933 soon led to the introduction of child labor standards through the various codes, which excelled the standards previously in effect throughout the country. The employment of children under sixteen years of age in industry and trade was practically eliminated and considerable protection was afforded boys and girls of sixteen and seventeen years of age from employment in hazardous industries.¹⁸ After the National Industrial Recovery Act was declared unconstitutional (1935), the employment of children returned and child labor again began to increase as industrial conditions improved. The Fair Labor Standards Act, which went into effect in October, 1938, and which contains a sixteen-year minimum-age standard, is expected to result in a drastic decrease in the employment of children in the industries to which the law applies, namely, industries producing goods for interstate commerce.¹⁹ Unfortunately, at least three-fourths of the gainfully employed children under sixteen years of age in the United States in nonagricultural employment are in industries outside the range of the law; consequently they will not benefit from the protection given by the sixteen-year minimum-age provision of the federal act.²⁰

There is every reason to believe that child labor is much more prevalent in the United States than the statistical evidence indicates. This is the result, among other things, of falsification of ages, concealment, and incomplete reporting. Even the United States Census of Occupations,

17. *Ibid.*, p. 19.

18. Beatrice McConnell, "Child Labor 1912 to 1937," reprinted by the U. S. Children's Bureau from *The Child—Monthly News Summary*, vol. i, March-April, 1937.

19. U. S. Children's Bureau, "Child Labor in the United States," (mimeographed report), January, 1939, p. 1.

20. *Ibid.*, pp. 1, 2.

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which is our most complete source of information concerning the extent of child labor, does not give a complete picture of the situation. This census does not, for example, enumerate children under ten years of age who are gainfully occupied. Yet, numerous investigations have proved that "considerable numbers of children have worked, and still do so, more or less regularly, in shops, in tenements on industrial home work, on farms, and in street trades, although the number cannot be estimated with any degree of accuracy."²¹ It has been pointed out further that the census is taken at a season of the year when schools are still in session, and when agricultural work in many parts of the country is not yet in full swing. "Thus each census gives an understatement of the numbers actually employed; in particular the earlier censuses understate the numbers of young children at work."²²

From this brief sketch of the development of child labor in the United States several conclusions may be drawn. The child labor problem is the joint product of the belief that child employment is beneficial and the rise of the factory system following the Industrial Revolution of the eighteenth century. Commercial incentives have tended to replace moral reasons for the employment of children. Throughout the development of modern industrialism in the United States, as in other industrialized countries, child workers have been an important factor. In times of prosperity, when adult labor is relatively scarce, employers tend to draw heavily upon child labor; in times of depression children are recruited for certain industries because a cheap labor supply is required to meet the intensified competition of commodity and service markets. During periods of high prices children are forced into industry because of the high cost of living, which makes it imperative to supplement the earnings of the father with the meager earnings of children. Finally, there is abundant evidence that in modern factories the employment of children often results in serious physical, social, moral, and economic consequences. Carefully supervised light work after school hours may prove beneficial.

THE GEOGRAPHICAL DISTRIBUTION OF CHILD LABOR. The official information concerning child labor in the United States shows that the dis-

21. *Child Labor Facts and Figures*, *op. cit.*, pp. 1-2.

22. *Ibid.*, p. 2.

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tribution of gainfully occupied children among the constituent geographical divisions and states varies very considerably. The states of the south Atlantic, east south central, and west south central groups lead, both in the actual numbers employed and the proportion of all children in the population which these working children constitute.²³ In 1930, 89 per cent of the employed children ten to thirteen years of age were in the sixteen states (and the District of Columbia) which are grouped by the census in the three southern geographical divisions and which contain only 35 per cent of all the children of these ages in the population. Forty-six per cent of the children from ten to thirteen, inclusive, engaged in nonagricultural pursuits were found in the same group; the remaining 54 per cent were distributed over thirty-two states.²⁴ Nine southern states accounted for more than three-fourths of the total number. These states were Mississippi, Alabama, Georgia, Texas, South Carolina, North Carolina, Arkansas, Louisiana, and Tennessee. For the United States as a whole 24 out of every 1000 children of these ages worked in 1930, but in these nine states the proportion of gainfully employed children ranged from 44 to 194 out of every thousand.²⁵ These same states have a similarly bad record in the employment of children in the older age groups.²⁶ All the remaining geographical divisions have a lower ratio of children working than the average for the country as a whole.²⁷ The Mountain states show only 11 per 1000 children employed, although in this group New Mexico, with 18 per 1000, and Arizona, with 16 per 1000, make a much less creditable showing. Of the remaining states in other sections of the nation, only Missouri has as many as 11 per 1000 children at work. Eight states in the North and the East have only 2 per 1000 children in gainful employment.²⁸ It is evident that in the field of child labor, as in so many other phases of economic life, the South is the most backward section of the country.

23. South Atlantic states are: Delaware, Maryland, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, and the District of Columbia; east south central states are: Kentucky, Tennessee, Alabama, Mississippi; west south central states are: Arkansas, Louisiana, Oklahoma, Texas.

24. *Ibid.*, p. 6.

25. *Ibid.*

26. *Ibid.*, p. 8.

27. *Ibid.*, p. 6.

28. *Ibid.*

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RACE AND NATIVITY OF WORKING CHILDREN. There is a common impression that child workers in the United States are mostly foreign born. As a matter of fact, three-fourths of the gainfully employed children ten to seventeen years of age, inclusive, in the United States today are native-born white; 2 per cent are foreign-born white, 22 per cent are Negro, and about 2 per cent are of other races, chiefly Oriental or Mexican.²⁹ Although the native white population is the source of such a large proportion of the working children, the Negroes have the highest ratio of children and adolescents at work, their ratio being 236 per 1000 compared with 97 for the native white, 171 for the foreign-born white, and 125 for other races.³⁰ In those states in which public opinion is opposed to child labor and there is strict enforcement of child labor and school attendance laws the employment of children of all race and nativity groups is reduced greatly. It is noteworthy also that where a high proportion of Negro children are working, a high proportion of or a large number of white children are also gainfully occupied. Negro child labor is concentrated chiefly in the South, but it must not be thought that the southern child labor problem is confined to Negroes. The white working children in the South outnumber the Negro children, although the proportion of white children is considerably lower. These white children constitute about 60 per cent of all white child workers in the United States. Experience suggests that a reduction in the employment of white children will automatically cause a reduction in the employment of children of other races.³¹

OCCUPATIONAL DISTRIBUTION OF CHILDREN. Children have entered every kind of industry in which their unskilled labor and their limited physical strength could be applied successfully and profitably. Agriculture, manufacturing, clerical occupations, domestic and personal service, transportation, extraction of minerals, professional service, and public service have all had their quota of child workers. In urban communities the occupations of children are determined by the general nature of the economic life of the community, that is, the types of industrial and commercial enterprises, the size and nature of the establishments, and the hiring policies of the firms. Important also in this regard are

29. *Ibid.*, p. 17.

30. *Ibid.*

31. *Ibid.*, p. 18.

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the provisions of the state child labor law and the success of the schools in holding the interest of pupils.³²

1. *Manufacturing and Mechanical Occupations.* In the preceding pages reference was made to the fact that in the early development of modern industrialism large numbers of children were employed in factories. Today, relatively few children in the United States who are under fourteen years of age find employment in factories, although many children between fourteen and eighteen years of age still do so.

Recent studies indicate that comparatively few of these young persons are engaged in processes which require skill. Boys and girls under eighteen years of age who are gainfully employed in industry work as laborers and semiskilled operators. Although in recent years the introduction of more complicated machinery in canneries and the enactment of restrictive legislation have reduced the total number of child laborers in them, this group of factories is still a large user of child labor.³³ Similarly, textile industries have always been important employers of child workers. Silk and cotton mills use large numbers of children and adolescents; the silk mills especially rely on the labor of girls. The silk hosiery industry employs a high proportion of women and girls, and throughout the industry the employees are very young. The garment industry also is known for its employment of children. Other industries which provide gainful employment for children on a considerable scale include the manufacture of candy and other food products, cigars and tobacco, shoes, lumber, furniture, and clay, glass, stone, and metal products.³⁴

2. *Trade, Transportation, and Clerical Occupations.* Stores, banks, telegraph and telephone systems, and offices of all kinds are more important than manufacturing and mechanical industries in the employment of young workers. This is to be expected, since the employment responsibilities in these enterprises are relatively simple, consisting of clerical work, running errands, and delivering parcels. Some of the work, however, involves selling and the performance of laboring jobs which do not differ materially from those found in manufacturing industries.³⁵

32. *Ibid.*, p. 21.

33. *Ibid.*, p. 22.

34. *Ibid.*, p. 23.

35. *Ibid.*, p. 27.

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3. *Industrial Homework*. The employment of children in industrial homework has for a long time been a source of deep concern to those who are interested in the protection of childhood. Little does the average consumer realize that the cheap goods he may purchase are made possible through the widespread employment of children under what often amounts to a sweated system. Among the many kinds of homework in which children are engaged are the manufacture of artificial flowers; the shelling of nuts; the manufacture of cheap jewelry, lamp shades, lace, dolls, feathers and toys; finishing men's clothing; beading and embroidering women's dresses; making powder puffs; stringing tags; carding buttons and safety pins; and packing Christmas cards and seals. Children, moreover, carry the materials back and forth between the factory and the home, which frequently means heavy bundles carried long distances. Also the children are often kept up until late at night, foregoing sleep and playtime.³⁶

Homework is usually a family activity, and persons of all ages and degrees of skill are engaged in it, but most of the work is done by married women and children. An investigation by the United States Children's Bureau revealed that 63 per cent of the home workers studied were children under sixteen years of age, 27 per cent were mothers, and the remaining 10 per cent were other members of the family, including fathers, older brothers and sisters, and relatives who were a part of the household. The families were chiefly immigrants, and in a great majority of cases were Italian.³⁷ Homework is apparently a family enterprise in which the mother initiates and directs the work. More recent studies indicate that to only a slight extent now are mothers and children assisted in such work by unemployed adults.³⁸

The employment of children in industrial homework is not difficult to understand. Much of the work can be divided into simple operations and therefore lends itself to the employment of very small children, the simplest operations being assigned to the youngest children of the

36. *Ibid.*, p. 29.

37. U. S. Children's Bureau, *Child Labor in New Jersey*, part 2, Publication no. 185, 1928, p. 58.

38. *Child Labor Facts and Figures*, *op. cit.*, p. 28.

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family. "Children of preschool age have been found at work where industrial homework is taken in; in Massachusetts, Rhode Island, Pennsylvania, and New Jersey the younger children were engaged in such work as stringing tags, taping underwear, sorting buttons, pulling basting threads, carding hooks and eyes, safety pins, and buttons, and putting cards in envelopes."³⁹ The more intricate jobs are given to the somewhat older children.

Industrial homework is very difficult to regulate because of the traditional sentiment concerning the "sanctity of the home," but employers have admitted that it would not be difficult to make the necessary readjustments in their enterprises if such work were prohibited. It is practically impossible to ascertain the exact number of children who assist in this type of work, since parents, who insist that they could not earn enough without the children's assistance, are reluctant to give accurate reports. There is every reason to believe that the total number of children so employed is very much greater than even special investigations indicate.

4. *Street Trades.* It is necessary only to survey one's own community to discover how extensive is the part-time employment of children in the selling and delivering of newspapers, peddling, and shoe shining. Many children who engage in the selling of newspapers are not reported by the census, because they are under ten years of age or because parents and census enumerators do not regard such children as gainfully employed. The economic pressure in periods of depression invariably increases the employment of children in street trades, especially in newspaper selling, bootblacking, canvassing, and peddling. Coached in hard-luck stories by their employers, for whom they work on a commission basis, these children go from door to door vending their wares. "This is one of the worst forms of child exploitation connected with the depression," states a governmental report concerning child labor in recent years.⁴⁰

Working for excessive hours and for low pay, large numbers of very young children are engaged in the selling of newspapers and magazines in violation of the basic principles of child protection. From

39. *Ibid.*, pp. 28-9.

40. *Ibid.*, p. 30.

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the close of school to eight or ten o'clock, and sometimes much later, newsboys in American cities toil, at considerable risk to health and well-being, to earn a mere pittance. "Sometimes boys who sell the late night editions or early morning editions to theatre crowds sleep in the newspaper-distributing rooms. The child who engages in such work is apt to be retarded at school for sheer lack of sleep; his unusual freedom from family restraint, irregular and late hours, and association with all sorts of influences in crowded business sections, cheap restaurants, and newspaper offices expose him to undesirable and even vicious influences."⁴¹ This occupation has long since been recognized as physically undesirable for children, since it exposes them to severe physical strain, inclement weather, and physical hazards. Because the youngsters find that tips are more plentiful at night, especially from after-dinner and after-theater crowds, they tend to prolong selling into the late hours, disregarding the need for meals, sleep, or recreation.⁴² The physical and moral consequences of such activities in all street trades are generally acknowledged to be undesirable.

There are some 580,000 boys in the United States who work as carriers and sellers of papers, with an estimated annual income of 100 million dollars, according to the American Newspaper Publishers Association.⁴³ Those who have vested interests in this business always present an array of arguments in behalf of this form of child labor whenever legislative measures are introduced to curb or eliminate it. The following is a typical editorial comment in this regard:⁴⁴

A BAD BILL FOR BOYS

Legislative measures which are well meant but result from misunderstanding of conditions are among the most difficult with which Senators and Assemblymen have to deal. An example is Assembly Bill No. 1269 proposing to regulate the activities of newsboys.

There is no showing that any such regulation is necessary or would be beneficial, and plenty that it is neither. Here and in every other large city

41. *Ibid.*, p. 29.

42. U. S. Children's Bureau, *Children Engaged in Newspaper and Magazine Selling and Delivering*, Publication no. 227, 1935, p. 9.

43. *Los Angeles Sunday Times*, April 16, 1939, part ii, p. 4.

44. *Ibid.*

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of the United States there are thousands of successful business and professional men who will testify that training they received in early life selling or delivering newspapers was invaluable, inculcating habits of thrift, industry and mental and physical alertness which cannot be learned too early. The conditions under which newsboys work are already under careful supervision; newspapers have seen to that in their own interest. If there ever was anything resembling exploitation, it has long since been done away with.

The work is light and easy, takes a small amount of a boy's time and in most cases gives him an income without which he might be reduced to real hardship. The alternative of idleness, to which the well-meaning proponents of this measure would relegate the youth, is certainly not constructive or educational. And the alternative would be idleness, for the delivery of papers cannot be done under the restrictions this bill would impose. There is almost no other steady work open to youths which can be done without interfering with school attendance and this bill would deprive boys in their early teens of an opportunity a great many of them need.

The American Newspaper Publishers' Association has more than 7000 letters in its file from clergymen, physicians and school authorities attesting that newsboys are helped and not harmed by their work, and that to deprive them of it would be a tragic mistake.

There are some 580,000 boys in the United States who work as carriers and sellers of papers, with an estimated annual income of \$100,000,000. It is not only important to them to keep their jobs, which in no way interferes with their education or necessary recreation, but to the nation in which they are growing up to be good citizens.

It probably is not strange that Assembly Bill No. 1269, introduced to regulate the activities of newsboys, was defeated in the 1939 session of the California legislature.

5. *Domestic Service.* There is widespread employment of girls under sixteen as "nursemaids" or as "mothers' helpers," which has been ironically described as "a euphemism for general housework." Frequently these children are offered board and lodging by families who do not have adequate household facilities to care properly for such hired help. The consequence is that the helpers "sleep in the kitchen, the corridor, or the cellar"—if not required to share a room with the younger children of the family. Domestic service is increasing rapidly for young

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girls of sixteen and seventeen years of age; the increase between 1920 and 1930 was 45 per cent. During the Great Depression, which began in 1930, these young household helpers have been recruited as cheap labor, displacing better-paid and better-trained employees.⁴⁵

6. *Agriculture*. Statistical evidence proves conclusively that agriculture is the most important single source of child employment. Despite a marked tendency to improvement, 70 per cent of the working children between ten and sixteen years of age were in agricultural pursuits in 1930, and 87 per cent of those under fourteen years of age were working on farms.⁴⁶ Child labor in agriculture does not mean the running of errands, doing a few chores, or helping occasionally with the plowing or the harvesting. Only those are enumerated as child workers who hire out and who do more or less regular work other than chores and household jobs for their own parents. Special studies indicate that thousands of children besides those working on home farms are employed as farm laborers. They work in cotton, tobacco, beet, onion, and melon fields, in berry patches, cranberry bogs, and truck gardens. The truck farms that cluster about the cities of the United States make effective use of these child workers. There is scarcely a form of agriculture from the truck farms of New Jersey and the beet fields of Michigan, to the grain fields of the Dakotas and the fruit orchards of the Pacific states that does not employ its quota of child workers.

While it may be true that the employment of children in agriculture is not so deleterious as their employment in factories and home industries, the benefits of agricultural work for children may easily be exaggerated. In reality many disadvantages accrue from it. Premature and excessive work on the farm often results in loss of educational opportunities and may interfere with the child's normal growth. "Wherever rural child labor is greatest we find the highest percentage of illiteracy and the largest proportion of children not attending school," observed a special investigator.⁴⁷ In the absence of safeguards the child

45. *Child Labor Facts and Figures*, op. cit., p. 30.

46. *Ibid.*, pp. 6, 19.

47. Ruth McIntire, *Children in Agriculture*, National Child Labor Committee, Publication no. 284, 1919.

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is put to work prematurely, required to perform tasks too heavy for his limited physical strength, and is kept at work for excessively long hours under conditions that are often detrimental to his health. Many of these children are under ten years of age, and the vast majority are under sixteen. The interference of agricultural work with school attendance is very great, and it is evident that retardation among employed children is uniformly much higher than that for an average group of rural children. Migratory children especially suffer from the lack of educational opportunity. Agriculture has been unduly protected from desirable social legislation, but it is unlikely that a progressive nation will continue to tolerate the widespread exploitation of child workers even in this industry.

Recent studies show that there are three main types of child workers in agriculture, namely, those who work on the home farm; those who work for hire on a neighbor's farm, either independently or as a part of the family group; and those migratory child laborers, who move about with their families following the crops, in a large number of cases having no permanent home. The employment of child workers on the home farm is quite generally regarded as a desirable and practical method of cultivating a sense of family responsibility while the child is learning useful skills under healthful conditions in the open air. This is true, but much of the work done by children in agriculture presents a different and much less attractive picture. "The growth of large-scale commercialized agriculture has led to the hiring out of thousands of children either as members of the family group or with strangers to work on truck farms, in beet fields, and in gathering fruits and berries, under conditions often as undesirable as any found in industrial employments."⁴⁸ An examination of the status of tenant farmers and sharecroppers in many parts of the United States where the single cash crop system prevails indicates that these individuals are in the same position as hired laborers. "They and their children work excessively long hours to make the barest of livings. Their children are exposed to all the hardships incident to hired day labor. Children who regularly migrate with their families 'following the crops,' lead an un-

48. *Child Labor Facts and Figures*, *op. cit.*, p. 30.

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settled life, lacking educational opportunities, recreational facilities, and healthful surroundings.”⁴⁹

Studies of child workers in agriculture provide convincing evidence that their status is detrimental to normal physical, educational, and recreational development. A very large proportion of children who work, even on home farms, have been found to be under twelve years of age, and large numbers are under ten.⁵⁰ In the regions in which cotton is grown, almost all the children begin to work in the cotton fields at a very early age. In Texas, for example, a survey of one district indicated that 42 per cent of the white children who were laboring were less than ten years of age, and that one-fourth had started to work at eight years of age. Negro children quite generally started to work younger than did the white children.⁵¹ Even if one admits the advantages of some agricultural employment, taken as a whole child labor in agriculture is to be condemned. “Farm work,” it has been observed, “is largely to blame for the country child’s inequality of opportunity as compared with that of the child who lives in a town or city, not only because it interferes with his school attendance but because it is also a reason for the shorter school term maintained in rural districts.”⁵² There is conclusive evidence that in so far as the principal commercial crops are concerned (beets, cotton, onions, tobacco, grain, berries, fruit, and truck garden products), no economic loss would be incurred in the abolition of child labor.

If such child labor were abolished, the individual and social gain accruing from increased physical and educational benefits to children would be great.⁵³ Numerous factors have militated against the abolition

49. *Ibid.* Under the single cash crop system the farmer may plant a number of crops but relies upon only one for the principal amount of his cash income. What may be called the “non-cash” crops aid chiefly in improvement of the soil and, sometimes, the provision of food. In the South, tobacco, because of its high value, often constitutes the single cash crop, while in the North corn frequently holds this position, with oats sown for land improvement primarily.

50. U. S. Children’s Bureau, *Children in Agriculture*, Publication no. 187, 1929, p. 22.

51. *Child Labor Facts and Figures*, *op. cit.*, p. 31.

52. *Children in Agriculture*, *op. cit.*, p. 29.

53. *Child Labor Facts and Figures*, *op. cit.*, p. 33.

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of child labor in agriculture. The traditional ideas of the sanctity of the home and parents' prerogatives in the control of their children, the strong political position of farmers, the seasonal nature of the industry, the limitations of state and federal jurisdiction, and the great difficulty of administering regulations and of enforcing the law effectively have been the major obstacles.

WAGES, HOURS, AND CONDITIONS OF EMPLOYMENT. The child worker is easily exploited. His immaturity, ignorance, and lack of bargaining strength make this inevitable. Numerous investigations have shown that his wages are miserably low. In practically every instance homework and other forms of employment in which children engage are undertaken partly as a means of supplementing an inadequate family income. Yet the evidence shows that the earnings of child workers are so small as to add only a relatively insignificant amount to the family income and that such earnings are in no sense compensatory for the physical, moral, and educational losses resulting from premature employment. A child is fortunate if he obtains a wage of \$5.00 a week, whether he toils in the cotton fields of the South, the factories of New England and the Carolinas, or the vegetable, fruit, and grain fields of the Middle West and the Far West. In fact the earnings of child workers usually average not more than \$3.00 a week, and this is invariably true of industrial homework. "The earnings derived from home work were very small since the rates of pay were low and much of the work irregular," according to a survey made by the Children's Bureau of the United States Department of Labor. The inquiry revealed that 67 per cent of the child workers studied earned less than 15 cents an hour, 40 per cent less than 10 cents, and 12 per cent less than 5 cents when working at their best speed.⁵⁴ An investigation by the Children's Bureau in 1936 showed that the child workers under sixteen years of age in manufacturing and nonmanufacturing jobs received low wages for long hours of labor. The median cash earnings were only \$4.15 per week, and 18 per cent earned less than \$2.00 for a week's work. Moreover, almost one-fourth (23 per cent) had a work week of 60 hours or more, while 5 per cent worked 80 hours or more.

54. *Child Labor in New Jersey*, *op. cit.*, p. 59.

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One-half of the children covered in this study made less than 9 cents an hour, and only 8 per cent of them made as much as 25 cents an hour, which is the minimum wage under the Fair Labor Standards Act. Even the young workers in the sixteen and seventeen age group received extremely low wages for long hours. One-fifth of these earned less than \$4.00 per week, and more than half earned less than \$8.00, yet 53 per cent reported a work week of more than 40 hours and 13 per cent a work week of 60 hours or more. Hourly earnings were correspondingly low; two-thirds received less than 25 cents an hour.⁵⁵

When we turn to the conditions under which children are employed in industry, the problem is no less acute than that presented by low earnings. This is especially true where children are engaged in industrial homework. They are frequently forced to toil long hours, particularly where state laws are inadequate or their enforcement is lax. Where they are employed in sweatshops in the manufacture of clothing, artificial flowers, feathers, neckties, cigars, and the like, whether in the factory or in the home, hours of labor and conditions of work are anything but desirable. In busy seasons the workday is painfully long, and the strength and vitality of the youthful workers are taxed to the utmost. As we have already seen, in street trades, especially when the work is done at night, there are great physical risks due to late hours, exposure to cold, and fatigue, and there are moral risks arising from the excitement and temptations of street life, bad associates, and questionable environment. In many lines of agricultural work, as, for example, in the beet fields of the Middle West and the West, most exhausting work is done by children because of long hours, strained positions, intense heat, exposure to wet, and the speed required in certain operations.

Undesirable conditions of work are supplemented by undesirable conditions of living for the agricultural child workers in migratory families. The increasing use of the automobile has multiplied the number of migrants in the United States in recent years. Equipped with an old automobile and a tent, many families spend the entire summer wandering from place to place, the whole family working as casual

55. *Child Labor in the United States*, op. cit., pp. 2-3.

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laborers. In the states of California, Arizona, Colorado, Utah, Oregon, and Washington migratory laborers are used in great numbers. Many of these are Mexicans who travel annually from the border to the Northwest and back again. "These families are often housed in miserably unsanitary, crowded shacks, without proper cooking or sanitary facilities, and without privacy; since the camps are seasonal and impermanent, little or no provision is made for taking care of the children too young to work, and only seldom is schooling or recreation provided for any age group."⁵⁶ It is not strange that illiteracy is prevalent among these working children. Their behavior is often so revolting that they are considered unfit associates for other school children. This partly explains why many communities are unwilling to provide school facilities for them or why they insist on providing separate facilities.

In the absence of strict law enforcement, children have been found working 11 or 12 hours a day and about 66 hours a week. Children in industrial homework often toil not only after school hours but also in the evening, and some work exclusively at night. A small number of children who are employed regularly during the day in factories or stores also work at home every night. Moreover, much of this labor is carried on under conditions dangerous to the health of the child laborers and the consuming public since communicable diseases are prevalent in the homes of the workers. Scarlet fever, diphtheria, bacillary dysentery, eczema, tuberculosis, gonorrhea, and syphilis are among the diseases often found in the homes where children are employed. It is not possible to say definitely how much danger to the health of ultimate consumers there is in such manufacturing methods. Some of these diseases can be transmitted through the products of home industries, others cannot. Much depends upon the amount of care exercised in the final preparation of the products for distribution. Of more importance for our present purposes is that this kind of manufacturing environment aids in the spread of contagious diseases among the children and often results in permanent injury to their health. Night work is even a greater evil for child workers, since long hours of night labor are accompanied by insufficient rest during the day.

56. *Child Labor Facts and Figures*, *op. cit.*, pp. 32-3.

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Even in states that are noted for progressive laws and law enforcement there is a tendency to violate the legal provisions as to hours of labor. Too long daily hours and too long weekly hours are found. Where excessive daily and weekly hours prevail, children are frequently employed at night and occasionally are required to work seven days a week. The working environment is recognized as one of the chief reasons for the exclusion of children from street trades. Hours in domestic service in private homes are unregulated and are known in numerous instances to be very long. The New York State Junior Employment Office reported that more than three-fourths of the domestic-service openings offered such wretched pay and living conditions that the office refused to fill them, although it was literally swamped with applicants for jobs.⁵⁷

THE INSTABILITY OF CHILD WORKERS. Child labor is generally supposed to be cheap labor, whereas in reality it is often expensive. From the standpoint of the nation all child labor is expensive because of the evils that result therefrom. Employers, however, do not always stop to consider either the social or economic waste involved in the excessive employment of children under sixteen years of age. The cost of labor turnover is seldom calculated. The length of time that a child worker remains in one position is important from the standpoint of both the social and the economic value of the child. Numerous experiences indicate that the rate of turnover among children is exceptionally high.⁵⁸ There is present among child workers a strong tendency to an early change from the first position, either on account of the peculiar psychology of adolescence or the opportunity for economic improvement. There is a constant shift from job to job, especially among boys. A considerable percentage of child workers leave their first positions within three months, and the vast majority remain less than a year.

UNEMPLOYMENT AMONG CHILDREN. What has just been said concerning the turnover of child workers suggests that unemployment is likely to be relatively high among them. It is a common occurrence for a child not to find immediately a position that is exactly to his liking or for which he is adapted either by temperament or natural ability. These

57. *Ibid.*, p. 30.

58. *Child Labor Facts*, 1927, *op. cit.*, p. 13.

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difficulties, which arise even with adults, are naturally more prevalent among children who have had little or no experience in industry or business. The problem of unemployment is obviously not so serious as in the case of adults, except where the child's income is needed to help support the family. Yet the fact that children may lose much time through unemployment makes their earnings that much less adequate. Such data as are available indicate that the proportion of unemployed time among child workers ranges from 14 per cent to 23 per cent, depending upon such factors as age, sex, nativity, and degree of economic dependence.⁵⁹

As the child acquires business or industrial experience he is likely to secure a position with which he is fairly well satisfied, become reconciled to the rigid discipline of industry, develop greater efficiency, and settle down to steady work. Inadequate industrial education and the lack of proper vocational guidance are factors partly responsible for the high percentage of labor turnover and unemployment among youthful workers. Children who leave school between fourteen and sixteen years of age are not fitted for industry, having received no special training for the occupation they enter. Only in a few cases where children are learning the business does industry attempt to make the necessary adaptations to child workers. Industrial depression, unscientific methods of industrial organization, the restless nature of the child worker, and lack of experience and ability are contributory causes of widespread unemployment among children.

ACCIDENTS AND SICKNESS AMONG CHILD WORKERS. Ever since the problem of child labor first attracted the attention of social reformers, the pertinent question has been asked whether the child worker is likely to grow into adult life with his health and physical vigor unimpaired. Experience has proved that children are more liable to accidents and more susceptible to occupational diseases than are adults. Incomplete development of muscular and nervous systems means that the child lacks physical and mental co-ordination and has only a minimum power

59. See, for example, Helen S. Woodbury, "Working Children of Boston," *Monthly Labor Review*, vol. xii, January, 1921, p. 53.

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of resistance to the poisonous substances to which he is exposed in many industries.

According to a statement issued by the National Child Labor Committee, the child is three times as liable to accidents as is the adult employed in similar work,⁶⁰ and investigations made by the United States Children's Bureau suggest that the accident frequency and severity rate among child workers is unusually high.⁶¹ Evidence assembled by the United States Industrial Commission showed that boys under sixteen years of age had twice as many accidents as did the adult males, and the girls under sixteen, three times as many accidents as did women.⁶² In the cotton mills of the South the accident rate for children has been found to be more than double that for employees over sixteen years of age.⁶³ These injuries, which include loss of arms, fingers, thumbs, and toes, as well as more serious handicaps, impose upon the children an extremely heavy burden for life.

Carelessness of children in handling dangerous machinery is a prominent cause of accidents among them. Often the child worker will venture blindly into hazards to health and limb that are carefully avoided by all save reckless adults. The child's inexperience in handling machinery and the employer's failure to safeguard it are other responsible factors. Large numbers of accidents to minors are preventable. Many of them occur in the first days or weeks of employment. Better safeguards, more adequate training, more efficient factory inspection, stricter enforcement of child labor laws, and a keener interest in accident prevention on the part of employers and employees will do much to eliminate the accident risks to minors. The need for protection is great. The operation of machines, particularly power machines, is a source of great danger to boys and girls employed in industry. Fre-

60. *Child Labor Facts*, 1927, *op. cit.*, p. 10.

61. See, for example, Helen S. Woodbury, *op. cit.*, p. 11; National Child Labor Committee, Pamphlet no. 243; U. S. Children's Bureau, *Industrial Accidents to Employed Minors in Wisconsin, Massachusetts, and New Jersey*, Publication no. 152.

62. U. S. Industrial Commission, *Final Report*, vol. xix, 1915, pp. 917, 918.

63. National Child Labor Committee, Pamphlet no. 243.

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quently children work on machines which are dangerous even for adults to operate because they require dexterity and a high degree of muscular co-ordination for safe operation. Even when children are assigned to relatively safe jobs, their mere presence in the plant often results in accidents. They are inclined to be curious, awkward, and rash—qualities which not infrequently bring them into contact with belts, gears, and cutting edges.

Industrial physicians are agreed that adolescence presents an exceptionally serious crisis for children who enter industry. It is estimated that the great majority of those who leave school before attaining the age of sixteen enter a gainful occupation. The greatest development of physical power is said to take place between the ages of sixteen and nineteen, the most rapid gains being made perhaps between the ages of sixteen and eighteen. Yet, as we have seen, an army of youth, many of whom are below these years, enter American industry to earn a living. Experts entertain no doubt concerning the deleterious results of such a situation. During a period of crucial and extensive physical and mental changes, fatigue and overexertion incident to industrial work often lead to collapse resulting in physical incompetence and economic dependence. The great acceleration of growth in height and weight and of motor power and function is impeded by excessive toil.⁶⁴

Authorities in child hygiene point out that rigid regulation of child labor is more imperative today than at any previous time because the child lives in a more complex world, while his biological needs and equipment are identically the same as they have been for centuries. Growing children need fresh air, sunlight, recreation, proper exercise, and sleep. These needs are invariably interfered with by the conditions under which industrial employment must be carried on and by the frequently extended hours of work. In the absence of safeguards, the employment of children under sixteen years of age in industry, commerce, and agriculture involves a constant danger to the physical and mental well-being of the children and to the nation. Injuries which are obvious only to the expert frequently lead to lowered efficiency, de-

64. Harold H. Mitchell, "The Need for Special Health Protection of Adolescents," *American Journal of Public Health*, November, 1921, pp. 973-8.

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creased vitality, and general incompetence in later life. "A civilization which permits the energies of its younger generation to be sapped before their period of maximum production is wasting its most valuable asset," states a specialist in public health.⁶⁵

In adolescence the sex urge is strong and undisciplined, and after long hours of dull routine and monotony in the shop, factory, or field the child craves excitement and diversion. Both inside and outside the workshop, therefore, there is likely to be a dissipation of energy and a breaking down of physical resistance that are more imperatively needed at this period of growth and development than at any other. "Gainful employment under modern conditions all too often stifles the natural impulses, cramps the personality, and creates health hazards more subtle than can be tabulated under a list of industrial accidents," states Dr. Richard A. Bolt of Cleveland, Ohio, a specialist in child hygiene. He points out the immeasurable health hazards to city and rural child workers that emerge from such sources as the complexity of modern city life, mass production by power-driven machinery, speeding up of occupations, industrialization of agriculture, long hours with fatiguing work, unsanitary conditions of employment, and the unbalanced rations of the average child worker.⁶⁶

EDUCATIONAL AND MORAL ASPECTS OF THE PROBLEM. The ill effects of child labor are not confined to the physiological and psychological maladjustments that inevitably occur; similarly undesirable moral and intellectual consequences are almost certain to follow the premature employment of children. Child labor and intellectual training are incompatible; the former consumes time that should go to the latter. The loss of education resulting from child labor is irreparable. The child enters industry poorly equipped and frequently unable to seize opportunities for advancement; he is likely to remain in a blind-alley occupation, and his efficiency as an adult worker is impaired. Moreover, the child worker is deprived of those higher educational opportunities that

65. E. A. Winslow, Yale University School of Medicine, in *The Doctor Looks at Child Labor*, National Child Labor Committee, Publication no. 356, 1929, p. 5.

66. National Child Labor Committee, *Proceedings of the Twenty-fourth Annual Meeting*, 1928, pp. 5-7.

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are necessary to prepare him for the assumption of the responsibilities of citizenship. The child who must enter industry at an early age is denied the privilege of developing his mental faculties for the full appreciation of the larger cultural values of life that are rightfully his heritage in a democratic country.

Entering industry without a vocation, in 50 per cent of the cases probably with no more education than schooling up through the sixth grade affords, children constitute a menace not only to the national standards of economic efficiency but also to the moral standards of a civilized people. "The employment of children under fourteen pauperizes the parents and enforces illiteracy upon the children. It is one of the most prolific causes of poverty, pauperism, vice, and crime in adult years, and is, in fact, a grave menace to the peace and prosperity of the social order."⁶⁷ Children who enter industry prematurely often go the round of ill-health, industrial inefficiency, low wages, unemployment, and poverty. Economic distress and poverty in turn increase child labor. Contrary to a common conception, working children are unduly numerous among juvenile delinquents, contributing to delinquency a higher percentage of offenses than their ratio in the child population.

It would be absurd to claim that all working children become delinquents. There are undoubtedly individual cases where the shift from school to industry has proved the making of the boy, but in general the evidence is massed on the other side. It has been found that child labor contributes not only to juvenile delinquency but also to idleness and shiftlessness of adult wage earners. Many adult wage earners, who are not fond of work, would not be idle if the children did not make a contribution to the family income.

THE ECONOMIC EFFECTS OF CHILD LABOR. It has long been recognized that the labor of children may be marketed in severe competition with the labor of men and women. Some people have designated this as the most serious effect of child labor. There are several ways in which the employment of children may result in competition with adult workers.

67. T. S. Adams and H. L. Sumner, *Labor Problems*, 9th ed., New York, 1919, p. 66.

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Adult workers may be displaced and thrown out of employment, conditions of labor may be demoralized, and wages may be lowered. In unskilled occupations or in those where easily operated machines have been introduced, child labor has resulted in displacement of adult labor. The competition of children with men and women workers on the labor market inevitably tends to depress the general level of wages. An investigation by the United States Department of Labor showed that of a number of children under sixteen years who left school to go to work, 90 per cent entered industries in which the wages of adults were \$10 a week or less. Many other investigations have shown that the family income is not greatly increased by the earnings of children because of the fact that the competition of youthful workers depresses the earnings of adults. In certain textile mills, for example, the United States Industrial Commission found that where women and children worked, the earnings of the entire family were no greater than in industries in the same state where only men were employed. Because child workers cannot bargain collectively, employers find it easy to extend the hours and to neglect the physical conditions of employment. Child labor, moreover, has been classified as one of the important causes of unemployment among adult workers. In the period of general unemployment, 1921-1922, the Secretary of Labor stated that one and a half million more jobs for adults would be available to relieve the unemployment situation if child labor in the United States were eliminated. Similar observations were made in the period 1930 to 1939 when unemployment among adults at one time reached approximately 15 million.

WHY CHILDREN ARE GAINFULLY EMPLOYED. Child labor is difficult to justify, but its causes are easily determined when one remembers that the major emphasis of modern industrialism is upon profits. Employers excuse the employment of children on the grounds that labor is scarce, production costs must be lowered, the difficulties of seasonal fluctuations cannot be surmounted in any other way, needy families must be assisted, and custom has made child labor an integral part of the industrial system. None of these reasons can be accepted as valid in

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a progressive community, since child welfare must not be sacrificed to selfish gain.

Many conditions have contributed to the general employment of children in every country. The introduction of easily operated machinery has been a significant factor. Technical improvements have made it possible to use the limited strength and energy of the child in the operation of machines and the performance of many services in modern industry and business. The economic pressure of inadequate family income is a very important cause of child labor. The loss of the main support of the family and the rapid rise in the cost of living force children into gainful employment. Practically all studies of the subject indicate that children enter industry to supplement an inadequate family income.

A study of child welfare in a coal-mining community showed that over half of the children between thirteen and sixteen years of age had worked. "Family need" was the reason most frequently given for leaving school and going to work, and the proportion of children who had left school for work was greater as the father's income was less. The number of wage earners in the family, including the number of child wage earners, decreased as the father's earnings increased. Over one-half of all the fathers or heads of households earned less than \$1250 a year. Nearly three-fourths of the fathers who reported had periods of unemployment during the year. Besides unemployment, accidents were an important factor in family distress, almost one-fifth of all the fathers working in the mines having met with accidents at their work within the three and one-half years preceding the inquiry.⁶⁸ Moreover, as the cost of living rises, children are forced to enter industry to help maintain the family.

Weakness in the educational system contributes to child labor. Except in progressive school systems, curricula have not been adjusted to the needs of the child, with the consequence that children leave school long before they should. An investigation of child labor in an important industrial center showed that 50 per cent of the children went to work because of dislike for school, backwardness in studies, or trouble with

68. U. S. Children's Bureau, *Eighth Annual Report of the Chief*, 1920, p. 22.

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the teachers. About 76 per cent of the children turned their entire earnings over to the family pocketbook.⁶⁹

The child's desire for economic independence undoubtedly has some influence. Among the wage-earning classes especially, children have a strong desire to escape the discipline and economic dependence of school days and to enter industry where they can earn money and become "their own bosses."

The desire of employers for cheap labor constitutes a major cause of child labor. Employers are interested primarily in profits, and the notion prevails that child labor is a means of reducing production costs. In periods of great industrial activity when adult labor is scarce and expensive, many employers do not hesitate to violate the law in order to employ children.

The ignorance and avarice of parents must also be accepted as a principal contributing factor in child labor. Many parents look upon children as a source of income rather than as a social responsibility. This conception prevails especially among the immigrants from eastern and southern Europe, and there is no doubt that the presence of large numbers of immigrant children, whose labor is marketable at low wages, has tended to stimulate the employment of children in American industries.

PROGRESS TOWARD A SOLUTION. In the midst of the revolutionary changes in the organization and operation of modern industry which, as we have seen, have had varying effects upon the problem of child labor, the industrial experts and administrative officials of the various states have met periodically for an exchange of ideas and experiences under the direction of the Children's Bureau of the United States Department of Labor. Within the various states themselves the friends of American youth have supported movements for the eradication of child employment. From these deliberations and movements have come greatly improved standards for the more adequate protection of working children, better techniques of enforcement of child labor laws, and a determination to abolish child labor. The nature of state and federal

69. "Children Leaving School to Go to Work in Waltham, Massachusetts," *Monthly Labor Review*, vol. vi, February, 1918, pp. 400, 402.

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legislation and the development of techniques of administration and enforcement are discussed elsewhere.⁷⁰ Here we are concerned with pointing out the encouraging foundation for a solution of the problem.

It is noteworthy that between 1920 and 1930 the number of young workers under sixteen years of age decreased 23 per cent. The total decrease in the employment of children of ten to sixteen years of age in agricultural pursuits between 1910 and 1930 was 75 per cent.⁷¹ This was true despite the difficult problems of regulation in this phase of child labor. Such a spectacular decrease indicates the encouraging progress that has been made through an enlightened public opinion and the adoption of higher standards of school attendance in the rural districts. The hope for more effective regulation and further advance in the future is well founded. Similar progress toward a solution has been made in commerce, manufacturing, transportation, clerical operations, and domestic work. The proportion of employed children between ten and sixteen years of age showed a decline of 37 per cent between 1910 and 1920 and a decrease of 58 per cent in the period from 1920 to 1930.⁷² Even if we recognize that some of this improvement is due to a falling off of employment opportunities, the picture is still an encouraging one.

The statistical evidence demonstrates conclusively that child workers do not constitute an indispensable source of the nation's labor supply and are not a necessary factor in our economy. The fact is that our farms and our industries have drawn to a decreasing extent upon the labor of children and adolescents. Only 4.4 per cent of all those gainfully employed in 1930 were child workers from ten to seventeen years of age. Children under sixteen years of age constituted only 4.5 per cent of all agricultural workers, 0.5 per cent in manufacturing, 0.4 per cent in clerical occupations, and 1 per cent in domestic and personal service.⁷³ It is very obvious, therefore, that children and adolescents under eighteen years of age could easily be relieved of responsibilities in our economic life without any adverse effect upon our productive capacity. In this connection it is well to recognize that the child labor problem will continue to exist as long as children are exploited in industry and

70. Chapter 30.

72. *Ibid.*

71. *Child Labor Facts and Figures*, op. cit., p. 20.

73. *Ibid.*

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agriculture, no matter how small the relative proportion of their numbers may be. In a civilized community, such as the United States claims to be, no gainful employment of children should be permitted. Present-day studies reveal a definite shift of young people from gainful employment in factories, where abuses first attracted public attention, to miscellaneous trade and service industries in which regulation is much more difficult and for which, in many states, no regulations exist. Such a shift has occasioned the observation that although the child labor problem today is different in outline, it is the same in essence as it was a quarter century ago.⁷⁴

Questions for Class Discussion

1. What conditions were responsible for the employment of children in the early period of modern industrialism?
2. What are the essential characteristics of the child labor problem in contemporary economic society?
3. Why is statistical evidence not a completely reliable index of the extent of child labor in the United States?
4. What are the most significant facts concerning the geographical distribution of child labor in this country?
5. Among what racial group in the United States is child labor most prevalent?
6. In what industries and occupations in this country are children most extensively employed?
7. Do you share the opinion that agriculture and newspaper vending yield immeasurable economic and moral benefits to child workers?
8. Do the data on wages, hours, and conditions of employment among child laborers indicate the existence of serious problems?
9. In view of the evidence concerning the economic instability of child workers and the frequency and severity of accidents and sickness among them, do you think their employment constitutes an indispensable economic asset for the nation?
10. Even if child labor were economically advantageous, are its moral, educational, and social disadvantages so great as to require its abolition in the interest of social welfare?
11. If child labor appears to be so undesirable from a social point of view, why does it persist in the United States?

74. McConnell, *op. cit.*, p. 3.

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12. Is it possible to say that the United States has made encouraging progress toward the elimination of child labor and that a complete solution of the problem is forthcoming in the not-far-distant future?

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Chapter 15

MISCELLANEOUS PHASES OF THE COMPETITIVE STRUGGLE

A. IMMIGRANT LABOR

¶ AN HISTORIC MIGRATION. The essence of the immigration problem in relation to American labor conditions is that immigrants intensify competition among groups of workers having conspicuously unequal bargaining power and accustomed to different standards of life and work. To acquire and protect decent standards of wages, hours, and conditions of labor is extremely difficult when workers accustomed to a relatively low standard of life and labor are admitted to compete with those who are used to a relatively high standard. Such competition has always resulted from population movements.

The migration of peoples in search of economic improvement is as old as the human race. An American labor economist has observed that “. . . human population tends to flow from poorer environments into better ones and will do so as long as there are marked inequalities of welfare in different lands.”¹ This movement of human beings is a part of a world process of social equilibration which has been characterized as a law of life as real as the law of gravitation.² The desire to achieve economic betterment is irresistible in countless human hearts. That is why immigration will always constitute a principal source of population for comparatively new countries like the United States unless artificial barriers are erected to prevent it.

The nature of human migrations has not always been the same, and

1. Don D. Lescohier, *The Labor Market*, pp. 3, 7.

2. *Ibid.*

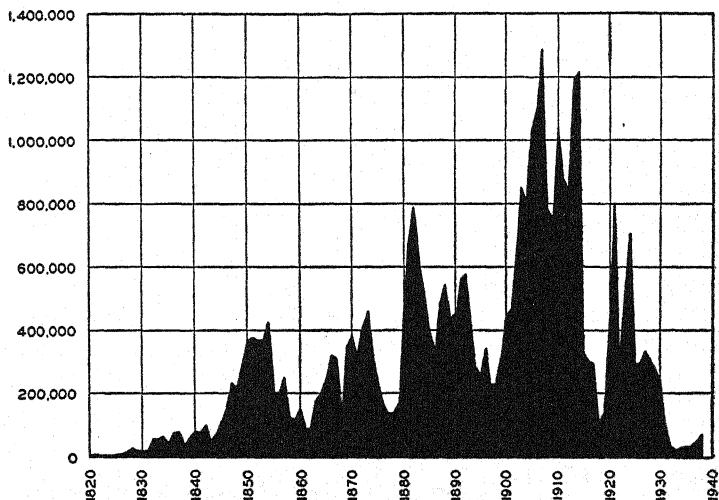
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the problems arising from population movements are not always identical. Whereas early migrations were made for the most part by organized groups, the population movements of recent centuries have been predominantly movements of individuals, or at most of families, except for minor group migrations caused principally by racial, religious, and political persecution. Not since ancient times, when hordes of barbarians from the north caused the breakup of the Roman Empire, has mankind witnessed a more striking human migration than the influx of aliens into the United States.

The American colonies were settled originally by groups of ambitious individuals from what is now the United Kingdom, largely from England. Other nationalities, chiefly French, Swedes, Dutch, and Germans, constituted about one-fifth of the population of the colonies in 1775. Because of the severe hardships incident to the primeval conditions of the new world, the early settlement was very slow. Not more than 250,000 persons came to this country between 1776 and 1820. In the one hundred years between 1820 and 1920, however, almost 34 million immigrants passed through our ports of entry, of whom 23 million came subsequent to 1880. By the end of 1938 a total of over 38 million had come, and the flow of aliens, although greatly diminished, continues. The ebb and flow of our immigrant tide is graphically shown in Chart 21.

Statistics of immigration do not represent a net gain to a country's population, since each year a large number of aliens return to their homelands. In periods of industrial depression the volume of emigration is significant. In 1908, a year of depression, the total number of aliens entering the United States was 782,870, while the alien emigration reached a total of 395,073, the net gain to our population being only 387,797, or 49.5 per cent. Between 1908 and 1930 the total immigration was 12,419,246, and the total emigration was 4,015,381, yielding a net addition of 8,403,865, or 67.7 per cent. The influence of adverse economic conditions upon our immigration problem is strikingly illustrated by the period 1931-1938, years of unprecedented depression. During that period the total immigration was 374,677, but the total emi-

CHART 21
IMMIGRATION INTO THE UNITED STATES, 1820-1938



SOURCES: 1820-1932 inclusive: U. S. Department of Labor, *Annual Report of the Commissioner General of Immigration*, 1932, p. 186. 1933-1936 inclusive: U. S. Department of Labor, *Annual Report of the Secretary of Labor*, fiscal year ended June 30, 1936, p. 92. 1937-1938 inclusive: *Ibid.*, fiscal year ended June 30, 1938, p. 97.

(Note: The years indicated are not calendar years. For a complete explanation see the *Annual Report of the Commissioner General of Immigration*, 1932, p. 186.)

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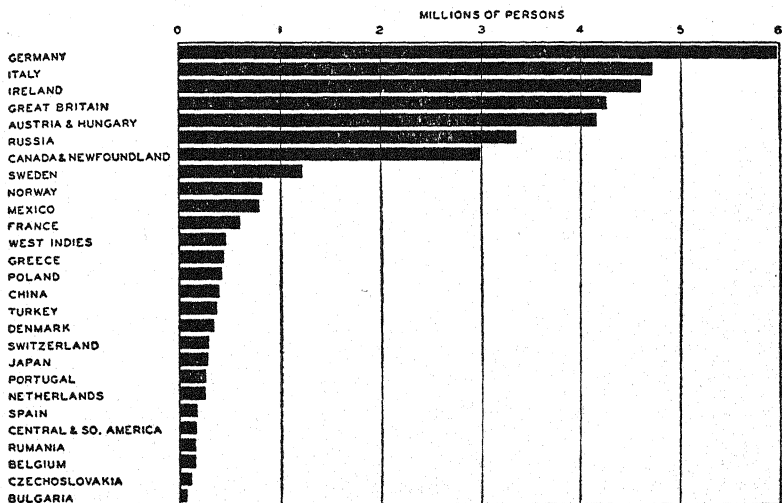
gration was 411,626, resulting in about 10 per cent more departures than arrivals.

It is evident that, except for periods of extraordinary industrial depression, the majority of our immigrants come to seek permanent homes and not merely for temporary employment in periods of prosperity. "Birds of passage," about whom so much has been written, are a much less important element in our immigration than some writers have supposed. A large number of those who return to their native lands sojourn only a little while. They come back to the United States to make permanent homes, often, if the law and immigration regulations permit, bringing with them relatives and friends. Because of recent restrictions and the great care exercised to cut down the influx, especially since 1930, it has not been easy to obtain visas. This means that large numbers who otherwise would have come could not obtain permission to enter this country, and that a considerable number of aliens already here have not been willing to risk leaving the country lest they be denied re-entry.

HOW THE COMPOSITION OF OUR IMMIGRATION HAS CHANGED. Interesting changes have taken place in the sources of American immigration—changes which at times have had a marked influence on the problems of labor relations. From the west and the north of Europe, including Belgium, France, the United Kingdom, Germany, the Netherlands, Norway, Sweden, Denmark, and Switzerland, has come what has commonly been referred to as the "old" immigration. What has been known by contrast as the "new" immigration has come from the east and south of Europe, principally from Austria, Hungary, Czechoslovakia, Yugoslavia, Bulgaria, Finland, Greece, Italy, Poland, Portugal, Rumania, Russia, Spain, and Turkey. Apart from these two sources and a relatively small number from the Orient, considerable numbers of immigrants have come from Canada, Newfoundland, and Mexico. The relative importance of these various sources of immigration is indicated in Chart 22.

As the so-called "new" immigration increased in volume, the "old" immigration diminished; as restrictive legislation curtailed both of these, the influx increased from other sources, mainly Canada, New-

CHART 22

IMMIGRATION TO THE UNITED STATES FROM MAJOR COUNTRIES,
1820-1938

SOURCES: U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics, 1936 Edition*, Bulletin no. 616, U. S. Government Printing Office, Washington, 1936, p. 260, Table 2. U. S. Department of Labor, *Annual Report of the Secretary of Labor, Fiscal Year Ended June 30, 1938*, U. S. Government Printing Office, Washington, 1938, p. 97, Table II. U. S. Bureau of the Census, *Statistical Abstract of the United States, 1938*, U. S. Government Printing Office, Washington, 1939, p. 100, Table 100.

Note: The number given for Ireland includes Northern Ireland also. Immigration from Austria for 1938 is included in the number given for Germany. Immigration from Turkey does not include the year 1938 (the number was evidently very insignificant and could not be obtained readily). See footnote in the above *Handbook of Labor Statistics*, p. 260.

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foundland, and Mexico, which are nonquota countries. The changing character of our immigrant stream may be seen from Table 42.

TABLE 42
DISTRIBUTION OF SOURCES OF IMMIGRATION TO THE UNITED STATES, BY DECADES, 1820-1938
IN PERCENTAGES

Period	Europe		Canada and Newfoundland	Mexico	Others
	North and West	South and East			
1820-30	68.0	2.2	1.6	3.2	25.0
1831-40	81.8	1.0	2.2	1.1	13.9
1841-50	93.0	.3	2.4	.2	4.1
1851-60	93.6	.8	2.3	.1	3.2
1861-70	87.8	1.4	6.6	.1	4.1
1871-80	73.6	7.2	13.6	.2	5.4
1881-90	72.0	18.3	7.5	..	2.2
1891-1900	44.6	51.9	.1	..	3.4
1901-10	21.7	70.8	2.0	.6	4.9
1911-20	17.4	58.9	12.9	3.8	7.0
1921-30	31.3	29.0	22.5	11.2	6.0
1931-38 ^a	31.2	31.4	23.1	4.7	9.6
Average	48.4	36.9	7.8	2.0	4.9

^a To June, 1938.

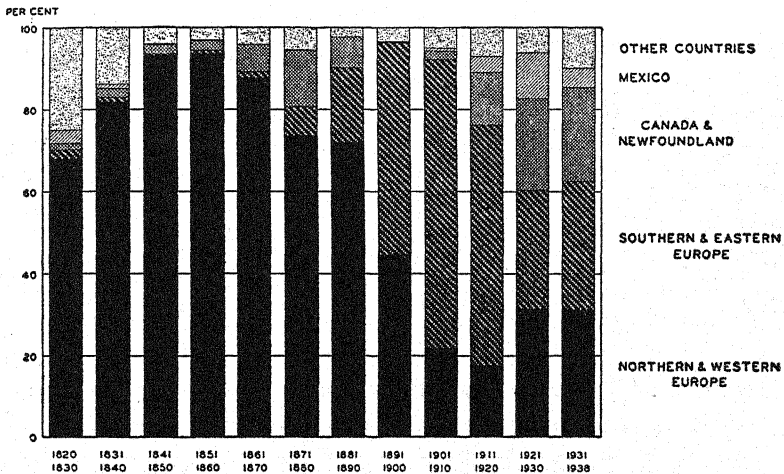
SOURCE: Constructed from U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, 1936 Edition, Bulletin no. 616, p. 259; and U. S. Department of Labor, *Annual Report of the Secretary of Labor*, 1938, p. 97.

In 1882 northern and western Europe supplied 71.4 per cent of our immigrants; in 1907 the south and east of Europe furnished 76.2 per cent of the total, completely reversing the position of predomination. Since 1924, when the quota system was put into operation, the decennial percentages for these two sources of supply have been approximately the same. The significant change has been the increase in the percentages from Canada and Newfoundland during the last two decades and the importance of Mexicans as immigrants, especially in the decade 1920-1930.

The influence of the composition of immigration upon the problems of labor relations is better understood in the light of the important differences that have existed in the types of immigrants. The old immi-

CHART 23

DISTRIBUTION OF SOURCES OF IMMIGRATION INTO THE UNITED STATES, BY DECADES, 1820-1938



SOURCE: 1820-1934: U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, 1936 Edition, *Bulletin* no. 616, U. S. Government Printing Office, Washington, 1936, p. 259.
1935-1938: U. S. Department of Labor, *Annual Report of the Secretary of Labor, Fiscal Year 1938*, U. S. Government Printing Office, Washington, 1938, p. 97.

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grants came to the United States during a period of general pioneering and settlement; consequently they were an important factor in the early development of the country. The new immigrants came mostly in the period of great industrial expansion and provided an almost unlimited supply of cheap labor. As a class, the new immigrants have been unskilled or semiskilled workers who came from countries where the highest wage was small compared with the lowest wage in the United States. The old immigrants came from lands where wage standards were more favorable although not so high as in this country. The early immigrants went in large numbers to rural districts; later immigrants, finding the supply of free or cheap land practically exhausted, flocked to manufacturing centers and joined the ranks of city wage earners and city dwellers. Although, as already indicated, their number is not so large as commonly supposed, numerous immigrants from the south and east of Europe have come with no intention of establishing permanent homes, but have been hopeful of accumulating a small fortune and then returning to their native lands to live in comparative affluence. Largely as a consequence of anti-Semitism in the Germany of Adolf Hitler and racial persecution under fascism generally, the United States during the last decade has received a large number of skilled artisans, artists, and professional people, which extends immigrant competition into higher occupational levels.

THE DISTRIBUTION OF IMMIGRANTS AND ITS ECONOMIC EFFECT. Many have contended that the problem of immigration in its relation to American labor is basically one of proper distribution of immigrants. The intensity of their competition with native workmen would be greatly diminished if immigrants would live where population is not congested instead of crowding into our large cities. This done, there is said to be no reason why greater immigration should not be permitted.

The practicability of distribution as a solution of the problem of immigrant competition depends largely upon the agricultural adaptability of immigrants. A great proportion of those who have come from eastern and southern Europe since 1880 have belonged to the peasant class, but it must be remembered that the type of agriculture to which they have been accustomed is distinctly different from that

Miscellaneous Phases of the Competitive Struggle

which prevails in this country. Moreover, there is every reason to believe that the vast majority of these immigrants, regardless of the country of origin, prefer to enter industrial pursuits when they come here. In 1930 only 20.7 per cent of our immigrants were classed as rural, that is, living on farms or in towns of less than 2500 population. These constituted only 5.4 per cent of our entire rural population, and 9.2 per cent of them were Mexicans. Not less than 79.2 per cent of our immigrants in 1930 were in the urban group and these constituted 16.2 per cent of our urban population. True, more than 82 per cent of all Mexicans in the United States are in the agricultural states of Arizona, California, and Texas, but even Mexicans evidence a marked tendency to enter industry rather than agriculture.³

Immigrants are predominantly city dwellers for reasons which we shall explain later. Large cities are especially attractive to our alien groups. From one-fourth to one-third of the population of our leading industrial cities is foreign born. In 1930 the foreign born constituted 29.9 per cent of the population of Boston; about 25.5 per cent of the populations of Chicago, Cleveland, and Detroit; 16.4 per cent of the population of Pittsburgh; and 30.9 per cent and 34 per cent, respectively, of the populations of Paterson (New Jersey) and New York City.

Relatively few immigrants go to the South and the West, which are predominantly agricultural, except Mexicans who are an important factor in the agricultural life of the Pacific Southwest. In 1930, about 77.3 per cent of our 13,400,000 foreign-born whites were in the states which comprise the New England, Middle Atlantic, and east north central geographic divisions. The percentage of native whites with one or both parents foreign born was about the same (71.3 per cent). The leading industrial states of Massachusetts, New York, New Jersey, Pennsylvania, Ohio, Illinois, and Michigan had approximately 65 per cent of the foreign born in 1930. Arizona, Texas, and California have attracted the vast majority of Mexican immigrants, whose total in-

3. U. S. Bureau of Labor Statistics, "Increase in Mexican Population in the United States," *Monthly Labor Review*, vol. 37, July, 1933, pp. 46-8; and Paul S. Taylor, "Increase of Mexican Labor in Certain Industries in the United States," *ibid.*, vol. 32, January, 1931, pp. 81-3.

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crease was from 700,541 to 1,422,533, or 103 per cent, in the decade 1920-1930.

There are many reasons why immigrants tend to concentrate in the manufacturing states of the East and Central West. In the South competition with cheap Negro labor is something which immigrants do not desire; Europeans prefer competition with white labor in the North. The situation is similar with regard to Mexican competition in the Pacific Southwest. Having very little money upon their arrival, most immigrants from Europe are unable to travel to the interior. They therefore remain in the industrial states along the Atlantic seaboard, at least for a time. Immigrants, especially those from the east and south of Europe, have manifested a strong tendency to clannishness. Large numbers of them are slow to learn a new language and new customs and are disposed to be farm-shy. They are accustomed to living in villages and going out to work on near-by farms. They are a sociable people, and in the country loneliness is difficult to escape. Moreover, the machine methods of American agriculture are strange to them. In the cities they may join groups who speak their own language and have the same customs as themselves. They find there the foreign press that keeps them in touch with the homeland, and in periods of distress they are tendered relief either by their own people or numerous charitable organizations. Then, too, the money wages of farm laborers are comparatively low, and Europeans, who can live cheaply, prefer not to receive a part of their earnings in board and room as is the custom on American farms. The United States has never devised an effective method for distribution of immigrants, which may be partly responsible for the concentration of aliens in our cities.

The industrial distribution of immigrants has been no less striking than their geographical distribution. Although they have entered practically every kind of industry, immigrants have been most attracted to those industries which are large employers of unskilled labor. Anywhere from one-third to three-fourths of the unskilled forces of some of our largest industries, such as steel and coal, come from immigrant sources. Foreign-born white immigrants of European origin have been drawn largely into such industries as anthracite and bituminous coal,

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iron and steel and other metal industries, slaughtering and meat packing, sugar refining, clothing manufacture, and the production of cotton, silk, and woolen textiles. Mexicans, large numbers of whom are migratory workers traveling in family groups, have provided a much-needed labor supply in Arizona, California, and Texas where they have engaged in the cultivation and picking of fruits and vegetables. Likewise the sugar beet fields of California and the Northwest have used considerable Mexican labor. During more recent years Mexicans have shown a tendency to go into transportation, especially as maintenance-of-way men, and into steel manufacturing and meat packing.⁴

THE CAUSES OF IMMIGRATION. The causes of immigration issue from a complexity of political, religious, social, psychological, racial, and economic forces. Political oppression, religious persecution, racial discrimination and hatred, the desire for economic betterment, and numerous other factors are responsible for the movement of population to this country. From every corner of the Old World and many corners of the New World ambitious, dissatisfied, and restless individuals have come to escape unfavorable conditions of life. The Pilgrim Fathers; Armenians; Russian, Rumanian, German and Polish Jews; Scotch-Irish; and many other peoples have come here in search of political and religious freedom. The unsuccessful revolutions in Europe during the decade of the 1840's, the Russian Revolution of 1917, and other political upheavals have sent large numbers to our shores in search of protection. With the exception of Jewish immigrants, who seek to escape the anti-Semitism engendered by National Socialism and fascism in countries such as Germany and Italy, certain of the Catholic clergy and laity who several years ago came to escape religious persecution in Mexico, and the relatively few who are able to leave Bolshevist Russia, immigration caused by religious and political conditions is not extensive.

Immigration must be accounted for largely in terms of economic factors. It is not an accident that periods of industrial prosperity and business expansion are accompanied by a rapid rise in immigration, and periods of industrial decline and business recession by decreasing

4. Taylor, *op. cit.*, pp. 81-3.

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immigration and increasing emigration. Periods of maximum immigration to the United States have coincided roughly with periods of industrial activity. The business and financial disturbances of 1873, 1893, 1907, 1921, and 1929, for example, were followed by marked declines in immigration and an exodus of aliens; but subsequent periods of economic recovery and advance witnessed a revival of immigration. Although there has been no perfect adjustment of immigration and emigration to the conditions of the labor market, the immigrant tide has ebbed and flowed with consistent sensitiveness to prevailing economic conditions. This is portrayed clearly in Chart 21 (page 447), in which the fluctuations in our immigration are delineated. Certain high levels of immigration stand out noticeably, as do certain low levels. Invariably the upswing of the business cycle has stimulated immigration, and the decline into business recession and depression has tended to check the influx of aliens and to stimulate an exodus.

Wages and general conditions of employment in the United States have been the most potent influence in inducing immigration. The economic status of the wage earner generally is much less favorable in Europe and Mexico than it is here. This is especially true of unskilled workers, who constitute such a large proportion of our immigrants. The money wages of these workers in many European countries are frequently less than one-third as high as wage levels for the same class of labor in the United States. Agricultural labor in Europe is very inadequately paid, employment is highly seasonal, and land is expensive.

The desire to escape military service has been a primary cause of emigration from those countries where such service is compulsory, which now includes the vast majority of European nations. Military service interferes with the economic life of young men during the period of active army service, results in postponement of marriage, and retards professional progress.

Besides these primary causes of immigration, there have been certain secondary causes that are responsible for the movement of aliens to the United States. Prominent among these have been the advice and assistance of relatives or friends who have already established themselves in this country. Through the medium of letters and personal visits to

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the homeland the economic opportunities here are given wide, often dubious, publicity. On the other hand, news of industrial depression spreads quickly, with the result that the stream of newcomers diminishes in volume.

Assisted emigration from Europe and other parts of the world to the United States is now probably nonexistent. At various times in the past communities have been guilty of assisting the emigration of public charges and criminals but such instances have been exceedingly rare since the early nineteenth century. European governments, especially the militaristic fascist dictatorships, now discourage the emigration of their young and able-bodied men and women, and the comity of nations would tend to prevent the deportation of criminals and paupers. Attempts to deport the physically and mentally defective, a practice not unknown in the early nineteenth century, would be futile now because of the strict regulation of immigration.

ECONOMIC EFFECTS OF IMMIGRATION. Since about 1880 the United States has experienced extraordinary industrial and commercial expansion. It cannot be determined exactly whether this expansion stimulated immigration or whether immigration contributed greatly to the expansion. In all probability these forces were mutually interactive. No doubt the expansion of our industries was the original reason for the employment of millions of immigrants, but the availability of a cheap labor supply must have stimulated industrial development. Improved machinery has made possible the absorption of this new labor supply by American industries. Unskilled and inexperienced immigrants are able to operate simplified machines, with the result that division of labor has been given great impetus. The development of our industries has been influenced also by the fact that immigrants have been of a youthful type and mostly men between the ages of sixteen and forty-four years. In 1930, for example, the foreign-born white persons gainfully employed totaled 7 million, of whom about 84.4 per cent were male and 15.6 per cent female. Census figures indicate that 88.4 per cent of the foreign-born males ten years of age and over engage in gainful occupations.

Every basic industry has a large quota of immigrants; anywhere from

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one-third to three-fourths of the unskilled workers in many industries are of foreign birth. Competition in these industries has often led to voluntary or involuntary displacement of native American employees. Bituminous and anthracite coal mining and the production of iron and steel furnish notable examples of such displacement. A small percentage of Americans who have remained to face competition with substandard alien wage earners have eventually secured executive and technical positions, but most of them have been unable to hold their own and have abandoned the old occupations for new ones. Frequently they have been pushed out rather than up. Those who have made no attempt to find other employment as immigrants poured into their industry have been characterized as lacking in initiative and enterprise. Unpleasant situations have often developed from the refusal of native Americans and northern and western European immigrants to work with immigrants from the east and south of Europe and Mexico. It is significant, moreover, that even the children of immigrants manifest an eagerness to find employment other than the menial occupations of their parents. So general has become the unwillingness to work with substandard immigrants that race consciousness has led to race substitution in many of our industries, such as manufacturing and mining.

Inexperience, lack of technical training, illiteracy, and ignorance of the English language on the part of immigrants from the east and south of Europe and Mexico have exposed native Americans and other immigrant groups to unsafe and unsanitary labor conditions. When the latter protest against undesirable conditions, the former fail to register objections and continue to work. There is a close causal relation between industrial inexperience and the frequency of accidents. Large numbers of immigrants are from the peasantry of Europe and Mexico and are unfamiliar with the machine processes of manufacturing. Recklessness, ignorance, and inexperience as causes of industrial accidents have been accentuated by the presence of these workers in American industries.

At the beginning of our discussion the statement was made that the problem of immigration is fundamentally one of acute competition between different standards of life. Subsequent to 1880 immigration has brought to the United States a steady stream of aliens, large numbers of

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whom have settled in the slums of our great cities. One race moves out into better quarters and another race, reinforced by numbers of its own kind fresh from across the water, moves in to serve its time in the filth and squalor of city slums—the black spots in American civic life. The life, interest, and activity of a considerable number of our immigrants have revolved principally about three aims: to earn the largest possible amount in the shortest possible time, to live on the absolute minimum basis of subsistence, and to save as much as possible in order to return to their native lands. “The ordinary comforts of life as insisted upon by the average American have been subordinated to the desire to reduce the cost of living to its lowest level,” stated the United States Immigration Commission.⁵ This is as true of certain recent immigrant groups as it was of the eastern and southern Europeans who dominated the immigration of the period 1880–1910. In clothing, such immigrants quickly adopt American styles, but in general living conditions and home equipment the situation invariably is deplorable. Extreme congestion prevails among them in the foreign quarters.

A large proportion of immigrants from the south and east of Europe have been single men or, if married, they have left their wives and families in the old countries. Frequently this fact has encouraged the group system instead of the family system of living and has resulted in the reduction of the cost of living to a point far below that which prevails for Americans or older immigrants in the same occupations. Under this system, known as the “boarding boss plan,” a married immigrant and his wife or a single man is the head of the household which has numerous boarders and lodgers.

It is not strange that the presence of substandard workers, such as are represented in so much of our immigration, should have an adverse influence upon wage standards, hours, and conditions of employment in those industries which are large employers of unskilled labor. Lacking funds upon their arrival, large numbers of immigrants find it imperative to obtain some kind of employment, regardless of the wage and other conditions of work. Moreover, immigrants from eastern and southern

5. Reports of the U. S. Immigration Commission, *Abstracts of Reports of the Immigration Commission*, Washington, 1911, vol. i, p. 499.

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Europe have frequently been indifferent to the labor movement and have remained outside. Immigrants from the north and west of Europe have been accustomed to trade unionism and upon coming to the United States have accepted membership in the labor organizations of their crafts or occupations. Persuasion and even coercion have been used in an effort to organize alien workers in mass production industries, but not until recently have these attempts met with signal success.

The American Federation of Labor, largely because it is essentially a movement of skilled workers, has not been so sensitive to the needs of the unskilled in mass production industries as it might have been. The Congress of Industrial Organizations was inaugurated primarily to unionize the workers in such industries, who are responding favorably. There has been a general awakening of immigrants to the benefits of unionism. In manufacturing, mining, and agriculture immigrants are being brought into the movement. This tendency should safeguard American standards of employment from demoralization by cheap alien labor.

POINTS OF VIEW AND BROADER ASPECTS OF THE PROBLEM. There is considerable difference of opinion concerning the immigration problem. The points of view invariably reflect political, racial, religious, economic, and ethical prejudices. Employers of labor are likely to find no cause for anxiety in an influx of aliens since they furnish an abundant supply of cheap labor. A large proportion of our immigrants, particularly the eastern and southern Europeans and the Mexicans, have manifested a high degree of tractability, and, being ignorant of American employment standards, have not demanded desirable conditions until they have become associated with the labor movement. An open door, at least one that is partly open, naturally appeals to employers who desire a supply of cheap labor. The employers' enthusiasm for the protection of American commodity markets through the tariff does not often extend to the protection of American labor through restriction of immigration.

American wage earners, on the other hand, are convinced that the influx of aliens always menaces American standards of life and labor. Competition with this substandard labor supply means the acceptance of undesirable levels of wages, hours, and conditions, or the abandonment

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of traditional occupations. These are not pleasant alternatives for native American workmen, who are not easily moved by noble sentiments concerning the free migration of the masses nor by the philosophy of internationalism that decries restrictions upon immigration.

The experience of the United States has demonstrated that uncontrolled and inadequately selected immigration results in making more acute such social and economic problems as crime, pauperism, illiteracy and unemployment. On the other hand, it is recognized that immigrants have contributed appreciably to the advance of American intellectual, cultural, social, and economic life.

Rational control and selection with a view to preserving American standards and ideals would seem to be necessary, but every effort must be made to assure a constructive fusing of desirable cultural elements. Civilization is, after all, little more than a composite of prevailing norms of life and culture, ethical and social standards, and economic practices which people accept as desirable. Whatever tends to strengthen the best standards of civilization should be approved; whatever contributes to degeneration should be rejected. It is scarcely a rational social policy to continue to admit alien labor, even in reduced numbers, in periods of depression when millions of men and women already here are out of work and large numbers of them are on public relief and private charity. The extent to which the quality and quantity of immigrant aliens affect American standards of life, welfare, and progress must at all times constitute the basis of judgment as to the advantages and disadvantages of immigration. Economic considerations are not the only ones involved, nor are the interests of wage earners and employers the sole ones to be safeguarded. The problem must be approached from the standpoint of the nation as a whole rather than from the prejudiced position of particular economic, racial, or religious groups.

There is room for considerable optimism, with regard to both the acceptance of this broader approach to the problem and the application of intelligent policies of social control. The decreased volume of immigration, resulting largely from legal restrictions and effective administration, and the growth of a dynamic unionism in industries in which im-

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migrants are employed in large numbers indicate that in the future American labor is likely to suffer much less severe competition from aliens.

B. MIGRATORY LABOR

WHEAT FARMING AND MIGRATORY LABOR. The migratory worker has been a part of the agricultural pattern in the United States since the beginning of the twentieth century. Development of machinery which made it possible for the farmer to sow his wheat with a small amount of labor was the first step in making it necessary for him to import large numbers of laborers for the short season when the wheat must be cut, shocked, and threshed. Small armies of men arrived in Texas from great distances in early June and followed the wheat harvest north, often going into Canada before returning to their homes. Perfection of the combine which accomplishes all the harvesting tasks in one operation is rapidly making the migratory wheat laborer no longer necessary.

OTHER CROPS REQUIRING MIGRATORY LABOR. Other crops, however, have also necessitated this type of labor. Large-scale growing of cotton in the area from central and southern Texas extending through Arizona and California demands thousands of migrants for cotton picking. Farms are very large but instead of employing sharecroppers to insure a labor supply at the harvest season, farmers keep only enough resident workers to care for the planting of the crop. Migrants coming from far and near are employed for wages during the harvest season in the fall, and to a lesser degree during the chopping season in early summer. Although western cotton demands thousands of seasonal workers now, the perfection and marketing of a mechanical picker may displace these workers as swiftly as did the combine in wheat farming. Since most farming in the West is done on a large scale, there will remain orchards, vineyards, hop fields, and truck gardens demanding thousands of laborers during certain seasons of the year regardless of notable mechanical farm inventions.

In other parts of the country heavy demands on mobile labor are made for short periods of the year. Berries and fruit in Florida; peaches in Georgia; strawberries, cranberries, and tomatoes in New Jersey; potato and truck farming along the Atlantic coast; cranberries in Wisconsin;

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and berries and fruit grown from Louisiana, Arkansas, Kentucky, and Missouri to Michigan require outside labor during harvesting seasons. Canneries in some of these sections provide additional seasonal work. This labor may be white, Mexican, Negro, or Indian, depending on the locality. Sharecroppers in the South provide a part of this labor out of cotton season. Cities in the East furnish many of the laborers required during the summer harvesting season. Of late years the depression and drought have caused families from Texas, Arkansas, Oklahoma, and Missouri to take a part in the migratory work in the East and Southeast as well as in the West. In all cases, the amount of imported labor depends upon the size of the resident labor supply, as well as upon the acreage which individual farmers plant in the crop, together with the total planted acreage in a particular region.

MIGRATORY LABOR DEFINED. The phenomenal increase in the number of families without permanent homes as a result of certain conditions of the last ten years, which will be discussed later, makes it necessary to distinguish between the so-called "transient" and the migratory laborer. Professor Paul S. Taylor has made this distinction as follows: "Transients, according to current usage, are applicants for relief, whose residence is in another State or county. This is an administrative classification into which, to be sure, migrants sometimes fall. But migrants are persons who seek a living by work following the crops. . . . They are an integral part of the agricultural structure, for they meet its peak labor needs."⁶ Again he defines migrants "as those field workers and their families, and packing-shed workers and their families, who follow crops in periodic movement, in groups or as a part of a well-defined movement commonly recognized as a movement of migrants, so that for a few months, if not for the full year, migratory labor becomes a way of life."⁷ Under this definition he estimates that there are from 200,000 to 350,000 agricultural migrants in the United States.

Until rather recently the agricultural migrant did not present a serious labor problem. With the possible exception of fruit and berry pickers in

6. *Migratory Labor in the United States*, U. S. Department of Labor, Serial no. R. 530, 1937, pp. 10-12.

7. *Ibid.*, p. 10.

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the Middle West and East, many of whom might come from low-income families combining a vacation with earning a living, the migratory workers were males who absented themselves from a permanent home during the season of peak agricultural work. Today two new factors have been introduced into the migratory labor situation. First, the substitution of families "following the crops" for unattached males; and, second, the creation of an unprecedented agricultural labor surplus. True, the introduction of Mexican labor on the west coast had brought families heretofore, but these were negligible as compared with the number of Filipinos, Japanese, and whites who made up the greatest proportion of the crop followers.

FACTORS CAUSING CHANGE IN CONDITIONS. A number of factors have combined to change completely the picture of the migratory worker today. The high prices received for agricultural products during the World War encouraged many agricultural workers and small farmers to mortgage themselves heavily in order to purchase or add to a farm. High prices were paid for acreages. The subsequent depression brought complete loss to many. Those who managed to keep their farms found it necessary to economize in every possible way. When it was found that certain topographies permitted the use of an "all-purpose" tractor which could do the work of a number of tenant farmers,⁸ large landowners replaced many of their tenants with machinery in order to reduce labor costs. Often only day laborers at \$1.00 to \$1.50 per diem were used. Even the small farmer found the tractor faster and cheaper than the "hired man" and was able to do without extra help except for day labor at peak seasons only. Along with this, a new type of landowner and operator sprang up. As a result of foreclosure, banks and insurance companies became the owners of farms. In many cases they hired a manager who operated these farms on a large scale with the aid of the all-purpose tractor and day laborers.

Another phase of the depression as related to agriculture has been the decrease in demand for agricultural products in foreign markets. With

8. See also Roman L. Horne and Eugene G. McKibben, *Mechanical Cotton Picker*, Works Progress Administration, National Research Project, Report no. A-2, Philadelphia, 1937, p. 18.

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the constant development of the agriculture of Canada, South America, and Australasia, especially since the last World War, the task of American farmers in selling their products abroad at fair prices has become increasingly difficult. In fact, most of these foreign markets have been completely lost to the farmers of this country. This has resulted in reduced domestic prices, which, in turn, have meant disaster for thousands of farmers.

Added to these depressed conditions during the past few years have come successive droughts throughout the Middle West, giving rise to a significant migration of families from what has now become the mid-continent Dust Bowl region. Thousands of Dust Bowl residents have become migratory workers as well as transients. Knowledge that large-scale farming exists, with industrialized methods necessitating thousands of seasonal workers, has caused unfortunate families to move west in such numbers that the largest migratory movement known to our country has taken place between the years 1935 and 1938.

Three chief factors have caused a change in the migratory labor situation: the depression, successive droughts, and the mechanization of the farm. How permanent is the effect of these factors? Although the effect of the droughts may prove to be temporary, since already many families have returned to their original homes in the drought area, nevertheless for thousands of others the pattern of nomadic family living will continue. Many have no capital with which to operate a farm again; others lack initiative; still others have lost courage through successive failures and fear of repetition. Moreover, in this area the soil has been badly depleted in many instances, and the droughts merely precipitated a mass migration that otherwise would have taken place slowly. Even the depression might be considered to be temporary in its effect on the migratory picture, since so-called "better times" tend to return people to their normal status of living.

PERMANENT EFFECT OF POWER FARMING. But the permanence of the effect of power farming cannot be gainsaid. The pattern of farming is definitely becoming industrialized. Hundreds and even thousands of acres are owned or managed by an individual or a corporation employing day labor instead of tenant farmers or sharecroppers. This is made possible

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both by new methods of scientific farming and by the use of power equipment. Even the agricultural emergency program of the government, which was intended to aid the tenant farmer and the landowner through cash benefits for crop reduction, has accelerated the displacement of tenant farmers by machinery. The money received for crop reductions has in many instances been used for the purchase of tractors.

Since industry cannot absorb the thousands of displaced farmers, who are neither trained nor suited for industry, the inevitable thing for them to do is to move to a region where the possibilities for work in agriculture exist. This actually motivated the great migration to the West during the past few years. To the extent that power farming has been responsible for the movement, we may consider as permanent the problems resulting from the changes in the migratory labor situation.

PROBLEM OF HOUSING. As was stated above, the migratory labor situation has two new aspects, namely, a nomadic family rather than an individual labor supply and an unprecedented labor surplus. Let us examine the inherent problems of this situation. Formerly the farmer was accustomed to furnish bunk houses and a common dining hall for the men. Naturally this equipment is not suited for housing families. The common sight in areas requiring migrant labor until a few months ago was the so-called squatter settlement. Hundreds of families settled along irrigation ditches. The condition of these camps was not only sordid but foul. No provision was made for garbage or toilet disposal. Sanitary conditions were nonexistent.

Recognizing that families subjected to the effects of bad housing, malnutrition, and unsanitary conditions over a long period are highly susceptible to disease and are a menace to the community in which they live, the federal government began in 1935 the establishment of federal agricultural camps under the Farm Security Administration. By October, 1939, a total of 27 camps had been established: 16 in California, 3 in Arizona, 4 in Texas, 2 in Idaho, and 1 each in Washington and Oregon.

DEVELOPMENT OF FEDERAL AGRICULTURAL CAMPS. A description of a typical government camp will demonstrate the way in which housing conditions of these migrant families have been improved. One camp

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located in the central part of California represents a total investment of \$170,000 and consists of seventy to eighty acres of land. At the present writing it accommodates 150 families or about 600 people in so-called temporary homes constructed of steel. The house consists of one room, 12 by 15 feet. When completed, the camp will accommodate 300 families. In addition there are forty-eight houses of four rooms, each surrounded by a small plot of land, which are for more permanent workers. The camp is constructed in units of thirty homes each. There is also a large playground; an administration building; a community building used for recreation, school, and church; a women's workshop equipped with sewing machines; a dispensary; an isolation unit to which a family is moved if a member has a communicable disease; and a service unit consisting of toilets, showers, and adequate facilities for washing and ironing. A charge of ten cents a day is made for the temporary house. This is not considered rent but makes up a fund which is used for adding to the recreational equipment of the camp. A charge of \$8.00 a month is made for the four-room houses. Technically this is rent; it goes to the Farm Security Administration for the cost and upkeep of the houses. In the event that a family is unable to continue the payment of ten cents a day, government work is furnished to cover the expense.

Bulletin boards, and in some camps weekly papers, keep the residents informed of work on surrounding farms and in other communities. The worker is also urged to register with the State Employment Service. The camp is governed by a community council to which each unit elects three members. The appearance of the camp is one of orderliness and cleanliness. Limited health facilities are present and provision is made for quarantine of communicable diseases. Children may be efficiently checked for school truancy. Recreation is provided for both children and adults.

The social implications of these camps are significant. Life is organized on a community pattern. The only cause for eviction from the camp is for continued action which is considered detrimental to the community. This may consist of failure to observe regulations set up by the council for cleanliness, speed, conduct, or general lack of co-operation. In short, the camp provides a background for a clean, orderly, law-abiding life.

OTHER HOUSING ACCOMMODATIONS AVAILABLE. These government camps

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are a great improvement over any kind of housing heretofore available to migrant workers. The only drawback is that the federal camps will provide housing facilities for only 4500 families in California, Utah, Arizona, and Nevada, the region where a large part of the 200,000 to 350,000 agricultural migrants is to be found.

Where do the other families live? They may go to a free county camp or to a private camp. The county camp is cleaner than most private camps and does have a resident in charge who makes an effort at enforcing some degree of sanitation. But in no sense does the county camp compare with the federal camp. The lack of facilities is understandable, for obviously the county has not the money for them. Important as are the additional physical facilities, the chief difference is in the community life which is slovenly and completely devoid of opportunities for civic training existing in the federal camps.

On the whole, the worst living conditions exist in the private camps. These may be plots of land on which tents are pitched or shacks of any available material are built by the migrants; or the tents or shacks may be for rent. In certain private camps in the San Joaquin Valley of California, shacks rent for \$8.00 to \$10.00 a month. The surroundings are filthy. There are no facilities for baths, washing, or ironing. An unsanitary privy serves many families. There is no provision for isolation in the event of disease. Dozens and sometimes hundreds of families are crowded into a small space. These squalid camps are breeding grounds for disease. The residents cannot be expected to maintain any morale. In some cases, a farmer will allot a space on the ranch for families to camp. These camps are less crowded than the private camps described above.

PROBLEM OF LABOR SURPLUS. A second phase of the migrant problem is due to the unprecedented labor surplus created by the influx of families into the Far West from unfortunate areas in other parts of the country. The migrant worker in California earns from 20 cents to 35 cents an hour. The average family of four earned from \$300 to \$400 a year in 1930 and between \$100 and \$200 in 1935.⁹ A superintendent of a federal camp in the

9. Taylor, *op. cit.* See also *Survey of Agricultural Labor Requirements in California, 1935*, California Relief Administration, Division of Research and Surveys, December, 1935.

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San Joaquin Valley estimated that the average earning in 1938 was \$350 per family of four, a figure less than the California relief budget for a family of four.¹⁰

Out of this income not only must the migrant pay for housing, food, and clothing, but he must buy gasoline and keep up his car—a considerable expense for he may travel hundreds of miles in following the crops during the course of the year. A study made by the California Relief Administration in 1937 reported that “one-fourth of a group of 136 migrant families traveled more than 1,000 miles between jobs in California agriculture within a year.”¹¹ A goodly part of the migrant’s earnings is consumed by his transportation needs.

HEALTH HAZARDS AMONG MIGRANTS. A combination of ill housing and inadequate income inevitably produces health hazards. Despite the prevalence of unsanitary conditions, the greatest obstacle to health among migrants is malnutrition, which is directly due to insufficient incomes. A common belief is that the agricultural worker may not earn much, but at least he has an abundance to eat. But the migrant agricultural worker has no garden. He must buy his food as the industrial worker does despite the fact that he may work in the fields all day. As a result of his meager income, the migrant often finds his family facing a shortage of food, if not actual hunger. During the winters of 1937 and 1938 serious food shortage and malnutrition in the San Joaquin and Imperial Valleys caused the Farm Security Administration to issue food grants to transient agricultural families. These transients were without state residence and therefore ineligible for state relief, which caused them to suffer hardships when no work was available and their meager funds were depleted. The effect of malnutrition obviously is to build up chronic ailments, lower the resistance of the individual to contagious diseases and render him inefficient in his work. Moreover, he has no money for medical care when his ills become apparent to him. The problem of his health is a vicious

10. In October, 1939, the California direct relief budget allowed \$48.30 a month (\$579.60 a year) for a family of four. An additional 15 per cent (\$7.25) was allowed for S.R.A. work relief.

11. *Patterns of Agricultural Labor Migration Within California*, U. S. Bureau of Labor Statistics, Serial no. 840, 1938, p. 2. (A reprint from *Monthly Labor Review*, November, 1938.)

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circle for without the money to provide an adequate diet, he is unable to remove the cause of his ill health.

Of all migratory labor camps, the squatter camps where an irrigation ditch furnishes the water supply and where no garbage or toilet facilities exist present the most serious of all health problems. Typhoid, dysentery, and diarrhea are frequently found under these conditions. These camps are also a focal point for the wholesale spreading of communicable diseases. One public health nurse discovered that 26 cases of smallpox had developed in a private camp in the San Joaquin Valley without the residents knowing what the disease was.¹² This situation could hardly exist in the government camps, since a full-time nurse from the State Department of Public Health examines each family when it enters the camp and keeps a vigilant eye on health conditions. Persons suffering from communicable diseases are placed in isolation as soon as the disease is discovered.

The migrant population in government camps is relatively small, so that the health conditions of unsupervised camps, particularly squatter camps, present a potential menace not only to the communities in which they are located but to other parts of the state as well. Agricultural workers have carried smallpox from the San Joaquin Valley to the Imperial Valley, and typhoid from the Imperial Valley to Kern County.¹³ Children from infected camps attend the local schools. Public Health doctors and nurses visit the camps at intervals and attempt to prevent standards of sanitation from falling too low. The stark fact is, however, that better living conditions cannot be found for hundreds of families because there is simply no place for them to go. Realizing that the incomes of the migrants are inadequate for meeting medical charges, and that as a result physical ills are being neglected, the Farm Security Administration has been providing both medical and hospital care for the families of transient agricultural workers since May, 1938. This care is extended, with the co-operation of the State Department of Public Health, through the

12. Omer Mills, *Health Problems among Migratory Workers*, U. S. Department of Agriculture (mimeographed), p. 3. (A talk given at the annual convention of California League of Municipalities [Health Officers' Section] at Santa Barbara, California, September 8, 1938.)

13. *Ibid.*, p. 3.

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Agricultural Workers' Health and Medical Association which is a government corporation. In addition, the State Relief Administration gives limited medical care without hospitalization for persons on relief. The Agricultural Workers' Health and Medical Association is a great step forward in meeting the health needs of the migrant population.

THE PROBLEM OF THE MIGRANT CHILD. All that has been said concerning the effect of unsanitary conditions, crowded quarters, and malnutrition must be looked at again with special relation to its effect on the children of these workers. Bad as they are for adults—causing serious physical complications—for the child they are intolerable. In submitting to such conditions, the child may be injured permanently both in body and spirit. Children of school age receive some respite from the filth of the camps. They receive baths in connection with physical education work and, when the need is known, free lunches and milk. School nurses also check the physical condition of the child. The preschool child receives none of these aids except in the government camps.

The absence of security in the migrant home is disastrous in its effect on the mental and spiritual development of the child. When children grow up amid uncertainty, irregular habits of living, and even fear that the barest essentials of existence may be absent, they cannot be expected to develop stability. The makeshift mode of living which is imposed upon migrant children results in makeshift habits of conduct. A normal, healthy attitude toward problems is unlikely to develop in a child who has very little opportunity to establish habits which contribute to his mental and emotional stability.

EDUCATIONAL HANDICAPS. The migrant child is also greatly handicapped in his education. He is irregular in school enrollment and withdrawal, as well as in attendance while he is enrolled. This may be caused either by his nomadic life or by his participation in field work in an effort to increase the family income. The inevitable result is retardation in school work. A study of 353 children six to fourteen years of age in families of migratory workers was made recently by the Farm Security Administration. The data show that of the white children

. . . 27.2 per cent were retarded one grade at age 9; 40.9 per cent, one or more grades at age 10; 66 per cent, one or more grades at age 11; 69.2 per

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cent at age 12; 63.1 per cent at age 13; and 84 per cent at age 14. In the case of the Mexican children included in this survey, the retardation was even greater. . . . The interesting thing in this matter of retardation is that it apparently begins at about the age when children are able to work in the fields or in the sheds. That it is no greater is probably due to the fact that there is a reluctance on the part of school authorities to delay advancement any more than is absolutely necessary, in order to keep the migrant child from being too far out of line with other children of his age.¹⁴

The irregular school attendance of children of migrants has been largely responsible for the segregation of these pupils in school. In this way the work of regular pupils is not disrupted. The school also feels that the migrant children are potential disease carriers because of their unsanitary living conditions. Sound as these arguments for segregation are, the social results are unfortunate. The only opportunity for the migrant child to participate with children in normal community life is taken from him. Social retardation is added to educational retardation by the social barriers that are thrown up. The poorly dressed, over-age child who attends one of the special rooms for migrant pupils is conscious of his inferiority. Add class inferiority to race and economic inferiority and one has a pitiable background for the development of a normal child.

SUGGESTED REMEDY. Even though a detailed solution for this and other labor problems will be suggested elsewhere, a brief indication of a solution of the migrant problem is appropriate at this point. The Farm Security Administration estimates that 250,000 migrant workers are needed to handle the crops of California alone at the present time. Further mechanization may decrease this number, but such crops as fruit, truck, and berry crops will always demand large numbers of seasonal workers.

It is evident from this discussion of nomadic family life that every effort must be made to stabilize the labor supply. In those localities where there is enough work for several months of the year, the government could establish small subsistence home sites of a few acres for each family so that the seasonal income could be supplemented. In this way a permanent home could be established. The co-operative farm presents inherent difficulties arising from the varied abilities and personalities of its mem-

14. Edward J. Rowell, *The Child in the Migratory Camp—Education*, U. S. Department of Agriculture (mimeographed), pp. 4-5.

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bers. For this reason the development of individual family units is suggested. Thus the evils of instability, retarded education, and the stigma accompanying a nomadic life might be largely eliminated. The family would assume a normal mode of living, the father and older sons traveling at certain times to do seasonal work.

Helpful as these aids might prove to be, the problem is too involved to be met satisfactorily by the introduction of a single remedy. In addition, the migrant worker should be protected by wage, hour, and compensation laws. Surplus labor markets have encouraged the agricultural employer to take advantage of the worker. It is imperative that minimum standards of protection be set by law.

Finally, an effective interstate government agency should be established which would aid in a more efficient distribution of agricultural labor. It would give accurate information about the numbers of workers needed in various localities. At the same time workers leaving for definite localities should be urged to register in order that some idea of the number of laborers expected to arrive in a specific area might be gained.

Obviously, the above program would require financing. Since the problem of the migratory laborer is nationwide in its scope, the federal government should take the initiative in co-ordinating a plan to which the states would contribute.

C. SOUTHERN LABOR

THE SOUTH AND THE PECULIAR NATURE OF ITS LABOR PROBLEM. The "South," as defined here, includes Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Arkansas, which comprise the "Southeast," and Oklahoma and Texas, which constitute the "Southwest." These states have a combined population of approximately 36,459,000, or about 28 per cent of the country's estimated total.¹⁵ It is, moreover, a population that derives principally from early American stock, more so than that of any other region of the United States. Fully 98 per cent of the southern people are native born; 71 per cent are white and 29 per cent are Negro. During the past

15. Estimates based upon returns of the *Unemployed Census of 1937*, vol. i, pp. 48-9, U. S. Government Printing Office, Washington, 1938.

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few decades this region, richly endowed with natural resources, has assumed increasing importance. The new economic significance of the South has developed partly from the fact that many industries have found favorable conditions for growth there, and partly because of the relation of that section of the country to the labor supply and the labor standards of the nation as a whole. Unfortunately, limitations of space preclude a thorough examination of this new importance of the South or an adequate treatment of its labor problem.

In the South the industrial and agricultural aspects of the labor problem are properly regarded as inseparable. This is because nonagricultural labor, which in that section of the country is largely unskilled, is subject to the competition of great numbers of farm workers who frequently find one-crop share farming difficult or impossible as a source of livelihood. On the other hand, many industrial workers seek to improve their economic situation by farming because industry in the South is characterized by low wages, long hours, and uncertainty of employment. The southern labor problem is, moreover, an integral part of the national problem because the relatively low purchasing power and standard of living of southern workers and the migration of such workers in large numbers to other sections of the country tend to have an adverse influence upon labor standards generally. Intelligent leaders of the South are quite aware of this fact.¹⁶

THE SOUTH'S LABOR SUPPLY. The South, as defined by the United States Bureau of the Census, had in 1930 approximately 8,783,000 gainfully employed persons.¹⁷ Of these, about 3,858,000, or 44 per cent, were in agriculture; approximately 1,734,000, or 19.8 per cent, were in manufacturing and mechanical industries; and 1,255,000, or 14.3 per cent, were in transportation and trade. Important occupational shifts have taken place during the last two decades, as may be seen from the fact that in 1910, 62.1 per cent of the gainfully employed were in agriculture, 14 per cent in manufacturing and mechanical industries, and 9.1 per cent in transporta-

16. See National Emergency Council, *Report on Economic Conditions of the South*, U. S. Government Printing Office, Washington, 1938.

17. The ten states included were: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia—the "Dixie South."

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tion and trade. Also reflecting this movement of population from rural areas to the cities are the figures for domestic and personal service, which increased from 8.9 per cent in 1910 to 10.7 per cent in 1930.

The place of the Negro in the economic life of the United States is discussed in some detail later.¹⁸ Here we wish merely to point out the importance of the Negro among the gainfully occupied persons of the South. In 1930 Negroes constituted more than 38 per cent of the gainfully employed workers in the ten southern states included in the census enumeration, while for the country as a whole they constituted only 11 per cent of the gainfully employed. Negro workers go in the greatest numbers into agriculture, lumber, tobacco, and the iron and steel industries.

In our discussion of women and children in industry attention has already been directed to their importance in the economy of the South.¹⁹ Of the 8,783,000 gainfully employed southern workers in 1930, 24.1 per cent were women. All of the southern states together had a smaller percentage of gainfully employed women than the states of the East, which had 26 per cent, but several southern states had a higher percentage and most of the employed women of the South were in the cotton mills, in which employment conditions are very unsatisfactory. According to the 1930 census, about three-fourths of all gainfully employed children from ten to fifteen years of age worked in the southern states, although these states contained less than one-third of the nation's children between these ages. The South leads the nation in the employment of children in both farm and industrial work. Out of every 1000 children between ten and fifteen years old, 108 were employed in the South, compared with only 47 out of every 1000 children of these ages in the country as a whole.²⁰

In our discussion of immigrant labor it was suggested that aliens have not gone to the South in large numbers because of the severe competition offered by Negro and white workers who were willing to toil for very low wages and very long hours. Confined largely to the two states of Florida and Louisiana, the foreign born are a relatively insignificant factor in the southern labor supply. The ten southern states included in the census as the South had, in 1930, 18.6 per cent of the total population

18. Chapter 16.

19. Chapters 13 and 14.

20. National Emergency Council, *op. cit.*, pp. 11-12.

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of the United States, but they accounted for only 1.4 per cent of the nation's foreign-born whites.

The South has proved to be a potential reservoir of labor for the entire country. One-fourth of the natural increase of population in the rural districts of the South has moved to southern cities or migrated to other sections of the country. "They have supplied their own growth, much of the growth of southern cities, and still have sent great numbers into other sections."²¹ Of the southerners born in rural areas, only 17,500,000 live in the locality where they were born, and 3,800,000 have left the South entirely. More than half of the southern farmers are tenants, the number of tenant families being estimated at 1,831,000. These families, which in recent years have migrated in such large numbers to California, are extraordinarily mobile and constitute the most unstable part of the South's population. More than one-third of these families move every year, and less than 2 per cent have written leases which give them security of tenure for more than one year.

Their economic status is a precarious one. The agricultural South depends on two crops (cotton and tobacco) for two-thirds of its cash income, and more than half of the farmers depend on cotton alone. "They are one-crop farmers, subjected year after year to risks which would appall the average business man. All their eggs are in one basket—a basket which can be upset, and often is, by the weather, the boll weevil, or the cotton market."²² Of the 1,831,000 tenant farmers in the South, about 66 per cent are white. Approximately half of the sharecroppers are white, and these live under conditions almost identical to those under which Negro sharecroppers live. Tilling soil they do not own, the tenant farmers lack incentive to protect the soil, to cultivate it thoroughly, or keep buildings in repair. They swap farms frequently, and the total annual moving bill has been estimated at \$25,000,000.²³ The vast majority depend mainly on credit. Either the landlord or the merchant takes a lien on the crop which these renters plant, keeps the accounts, and fixes the rate of interest on loans.

The population of the South grows at a more rapid rate than that of any other section of the country, the excess of births over deaths being 10

21. *Ibid.*, p. 17.

22. *Ibid.*, p. 45.

23. *Ibid.*, p. 47.

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per 1000, as compared with the national average of 7 per 1000. The rural population has shown a tendency to increase most rapidly in those sections which have the poorest soil, such as the Appalachian and Ozark areas. Rural areas are more thickly populated in the South than in any other part of the United States. The South has not demonstrated a capacity to absorb the increase in its population, as is evidenced by the fact that millions of southerners have migrated to other parts of the country. Under better organization of its economic life it might do so.

WAGES AND INCOME. For many years the rapidly growing population of the South has faced the serious problem of finding employment that will provide a decent standard of living. Farm laborers and industrial workers are in constant movement from farm to mill and mill to farm in search of a livelihood. The accumulation of property is practically out of the question for these groups. Farm income and industrial wages are the lowest in the United States. In 1937 the average per capita income in the South was \$314, as contrasted with \$604 for the rest of the country. A recent survey of the South disclosed that the average annual wage in industry was only \$865, as contrasted with an average of \$1219 for the rest of the country. In 1929, regarded as a prosperous year, southern farm people received an average gross income of only \$186 a year, as against \$528 for farmers elsewhere. Out of that \$186 southern farmers had to pay all their operating expenses, such as the cost of tools, fertilizer, and seed, as well as taxes and interest on debt.²⁴ It is evident that only a mere pittance remained for the purchase of food, clothes, and other necessities. Little wonder that such things as automobiles, radios, and books are relatively rare in so many southern country communities.

For more than half of the southern farm families who are tenants, incomes are even lower than those given above. Many thousands are said to be "living in poverty comparable to that of the poorest peasants of Europe."²⁵ According to a recent study of southern cotton plantations, the average tenant family received an income of only \$73 per person for a year's work. Earnings of sharecroppers ranged from \$38 to \$87 per person; an income of \$38 annually means only a little more than 10 cents a day.²⁶

24. *Ibid.*, p. 21.

25. *Ibid.*, pp. 21-2.

26. *Ibid.*, p. 22.

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The South's industrial wages, like the income of its farmers, are the lowest in the United States. In 1937 common labor in twenty important industries received 16 cents an hour less than laborers in other parts of the country for identical work. Less than 10 per cent of the textile workers are paid more than 52.5 cents an hour, while in the remainder of the country one-fourth of the workers in the same industry are paid wages above this level. More than half of the workers in the southern cotton mills earn less than 37.5 cents an hour, while in the rest of the nation less than 10 per cent earn such low rates. The pay for most skilled workers in the South is about 12 cents less an hour than that paid the same type of employees elsewhere. Southern industrial earnings generally are from 30 to 50 per cent of the national averages.²⁷

As in other sections of the country, women's wages in the South are ordinarily less than men's and are pitifully low. Inquiry has shown that a week's wage of less than \$10 was received by more than half the women in the cotton mills of one state, by a large part of the women in the seamless hosiery plants of three states, and in the men's work-clothes factories of two states. Even though they work full time, many women are compelled to seek public aid because their wages are insufficient to care for themselves and their children. The burden of low wages thus rests upon the community, which in effect is subsidizing unscrupulous employers.²⁸

Industrial homework, that is, work "farmed out" to be done in homes, is a relatively recent development in the South, but it is increasing. Women are paid extremely low wages for such work as making artificial flowers, sewing buttons on cards, clocking hosiery, embroidering children's clothing, and stuffing and stitching baseballs. The pay is generally below that paid in factories. An investigation of homework on infants' wearing apparel disclosed that the women worked much longer hours than in the factory, although half of them received less than \$2.73 for their week's work.²⁹

HOURS AND CONDITIONS OF WORK. The South lags far behind the rest of the nation in providing decent standards of hours and conditions of employment. Hours of labor are longer there than in any other section, and conditions of employment are much less satisfactory. Women workers

27. *Ibid.*, p. 39.

28. *Ibid.*, p. 44.

29. *Ibid.*

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have a work week of more than 50 hours in cotton and other textile mills and in the shoe, bag, paper box, drug, and similar factories in southern states. Only one southern state has established an 8-hour day for women in any industry, and only four have introduced a work week as short as 48 hours. Except as required by the federal Fair Labor Standards Act, the working week is exceedingly long. Night work for men and women is not strictly regulated. Physical conditions of employment do not generally compare with northern standards. Health and safety movements have made slow progress in the South, and there is heavy pressure for speeded-up production.

UNEMPLOYMENT AND UNDEREMPLOYMENT. The experience of the South does not support the traditional theory that low wages tend to make possible the employment of a comparatively large number of workers, and so prevent unemployment. Statistics of wages and income indicate that the South should have little difficulty in keeping its workers employed, especially in view of the migration of so many of its people to other sections. But the contrary is true. The South has had a large amount of unemployment, besides considerable underemployment. According to the findings of the 1937 Unemployment Census, the ratio of unemployed persons in the age group fifteen to seventy-four to the total number available for employment was 18.8 per cent in that area.³⁰ Seasonal employment in agriculture and other industries greatly aggravates this problem of insecurity.

The rural unemployment problem and the pressure of unemployed rural workers on industrial labor have been intensified by technological improvements and changes. The increased use of tractors, gang plows, and other labor-saving devices has occurred at a time when there has been no corresponding expansion of labor markets in other directions to absorb displaced workers. Despite widespread unemployment and underemployment among male wage earners, perhaps because of these, the amount of child labor is greater in the South than elsewhere and the proportion of gainfully employed women is relatively large.

30. *Final Report on Total and Partial Unemployment, 1937*, Census of Partial Employment, Unemployment, and Occupations, vol. i, pp. 48-9, U. S. Government Printing Office, Washington, 1938.

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THE EFFECTS OF LOW WAGES AND UNSTABLE EMPLOYMENT. There can be but one result of the South's low standard of wages, long hours, unsatisfactory conditions of work, and unemployment—namely, a degeneration of the standard of living. The lack of protective labor legislation has “had far-reaching effects on the health, the living conditions, and the general well-being of women and their families,” according to a recent report.³¹ Low wages for men in southern industries frequently force upon their wives and children a large part of the burden of family support; and in agriculture, because of poor land and equipment, entire families are compelled to work in order to make a living. Child labor, itself a consequence of low wages for adult workers, is a constant source of cheap competing labor. Thus it tends to drive wages to even lower levels, increase the working hours, and cause a general deterioration in labor standards. Special investigations have concluded that child labor not only affects the child itself but undermines the economic security of adult workers, thus reacting adversely upon the South and the nation at large. Low wage scales mean a low standard of living, insufficient food, a considerable amount of illness due to undernourishment and malnutrition and generally unhealthful and undesirable conditions of life. “Too many families have simply done without, and as a result they have suffered severely from malnutrition and dietary diseases.”³²

Low wages have not helped business and industry in the South any more than they have in any other part of the country. In fact, low wages have curtailed the purchasing power of the masses and retarded southern industry as a whole by giving inefficient employers a competitive advantage. Neither industry nor business can thrive where buying power is lacking. If the mass of people cannot buy goods, it is obvious that business cannot sell them; if business cannot sell merchandise, production is unnecessary. Although the South, as we have defined it, contains 28 per cent of the nation's population, in July, 1937, its banks held less than 11 per cent of the nation's bank deposits, or only \$150 per capita, as contrasted with \$471 per capita for the rest of the United States. Savings deposits were less than 6 per cent of the national total.³³ Under such circum-

31. National Emergency Council, *op. cit.*, p. 43.

32. *Ibid.*, p. 48.

33. *Ibid.* p. 49.

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stances there can be little economic security or purchasing power—much less a standard of decency, health, and comfort.

Low income and low property values, both prevalent in the South, also mean an inadequate tax basis for meeting the expenses of schools, roads, public health, libraries, and other public services which directly or indirectly enrich the life of the people. In 1936, the state and local governments in the South collected only \$28.88 per person, as against \$51.54 in the country as a whole. It is not strange that under such conditions southern states experience grave difficulty in maintaining adequate standards of health, housing, and education. Unable to meet the cost of medical care, the laboring people suffer irreparable harm. Not less than half of the 8,000,000 families of the South are said to be in need of rehousing; 2,500,000 houses are below desirable standards.³⁴ Sanitary facilities are lacking in one-fifth of the homes. In 1936, the southern states spent an average of \$25.11 per child in schools, about half the average for the country as a whole, or about a quarter of what was spent per child in New York State.³⁵ Although the South devotes a comparatively large part of its tax revenues to education, opportunities and facilities are very inadequate. Under existing conditions, it is with great difficulty that the most capable of wage-earners' children can prepare for entrance into higher occupations, much less the professions.

It is generally agreed that the urgent need for goods and services makes the South a potentially important market, a market superior to that offered by distant foreign lands. But this potentiality cannot become a reality until the mass of southern people are given an opportunity for stabilized employment at good wages. A committee of distinguished southern citizens reported to the president of the United States that "the people of the South need to buy, they want to buy, and they would buy—if they had the money."³⁶ That is probably the truism which holds the key to a solution of the South's economic dilemma and at least a partial solution of its labor problem. The people of the South are in need of basic commodities and the essentials of health and well-being. "The average southerner with a total income of \$315 could spend, without help, twice that amount for the things he needs and needs badly," stated the

34. *Ibid.*, p. 36.

35. *Ibid.*, p. 28.

36. *Ibid.*, p. 61.

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committee.³⁷ The extent of the South's underconsumption of basic food-stuffs and other necessities is indicated by the fact that half of the people in that region have incomes of less than \$300 a year.

INDUSTRIAL PATERNALISM AND ITS CONSEQUENCES. Southern industrial communities present a curious mixture of the desirable and undesirable, depending largely upon the degree of intelligence and interest of labor management. The small villages that surround cotton mills present wide discrepancies in housing accommodations, sanitary facilities, and recreational opportunities. Some villages are unusually attractive, reflecting the results of a benevolent industrial paternalism which is not altogether bad. Others are extremely unattractive, revealing the results of an exploitative paternalism that is indifferent to human needs and desires and apparently unconscious of the influence of social environment upon the efficiency and devotion of employees.

The new South is rapidly discovering the disadvantages of industrial paternalism, which often degenerates into industrial despotism. In the company-owned and company-dominated village or town almost the entire life of the inhabitants is under the direction of the employing interests. The school, press, pulpit, stores, banks, and even the mortuaries are controlled by the company. What wage-earning men and women think, say, and do is influenced largely by those who provide jobs and control the pay envelope. The history of attempts to organize the workers of the South is convincing evidence of the extent to which political, economic, and social freedom is denied or curtailed under such circumstances. Industrial paternalism of this sort, no matter how sincerely it may be motivated by benevolence, is a contravention of democratic principles and practices. In this regard the company village of the South is no greater travesty on democratic institutions than its forebear and prototype of the North and West. But that does not, from a social point of view, make it any more justifiable or desirable.

MIGRATION AND THE LABOR PROBLEM. There has existed a hope that the emigration of large numbers of southern workers to other sections might provide a solution of the South's problems of low wages, long hours, unsatisfactory working conditions, and unemployment. Not only has

37. *Ibid.*, pp. 61, 62.

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migration failed to solve these problems for southern wage earners but it has tended to reduce the national wage level by intensifying competition for jobs, and it has imposed a heavy tax burden upon the people of other sections. California's recent experience with large numbers of immigrants who came from the famous Dust Bowl is evidence enough that the migration of workers from the South yields no panacea for the industrial ills of the country as a whole and is likely to have an adverse influence upon labor standards everywhere.

Intelligent opinion in the South admits that emigration reflects the failure of the southern states to provide adequate opportunities for their own people and tends to leave in those states a disproportionate number of very young and very old people, which is bound to affect adversely the productive capacity of the region. Migration has taken from the South large numbers of its most productive and industrious workers and many of its ablest people. This search for wider economic opportunities than are available in the overcrowded, economically undeveloped communities drains away people from every walk of life to the evident detriment of the South.

Migration has not solved the South's economic problems nor relieved appreciably the pressure of labor competition. In fact, increasing competition for jobs in recent years has upset the balance of employment between white and Negro workers. The widespread unemployment among white people has caused them to seek jobs and occupations that traditionally have been filled only by Negroes in the South. The result is that employment opportunities for the colored people have been further restricted, causing greater migration of these folk to the North and the West. It is evident, moreover, that this lack of employment and the consequent intensification of competition for jobs has lowered the standard of living still further for both white and Negro workers in the South.³⁸ Viewing this problem as a whole, the committee referred to above came to the following conclusion:

The population problems of the South—the disproportion of adult workers to dependents, the displacement of agricultural workers by machines, the substitution of white workers in traditionally Negro occupations, the emi-

38. *Ibid.*, p. 20.

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gration of skilled and educated productive workers—are the most pressing of any America must face . . . these problems are national.³⁹

SOME REASONS FOR THE SOUTH'S ECONOMIC DILEMMA. There are many reasons for the comparatively unfavorable standards of life and labor in the South. The existence of exceptionally bad labor conditions and a very low standard of living is not attributable to a lack of natural resources or to the absence of a desire on the part of the southern people for higher standards. The people of the South do not lack resourcefulness and genius to create a better way of life. In fact, the unfavorable standards of work and life are difficult to understand in view of its ample basic resources, potential wealth, and output. The region is richly endowed with natural resources. Despite a splendid climate and fertile soil, great resources of coal, oil, gas, water power, electric power, and other means of general progress, the people of the South as a whole live under economic conditions that are the poorest in the country. Transportation facilities are adequate to assure efficient distribution of commodities; in fact these facilities compare favorably with those in other sections of the country.

The tax policies of the southern states are not favorable to the wage-earning class or to the improvement of the economic status of the masses. Large tax exemptions have been granted to corporations as a result of local competition for industrial plants. Tax burdens, consequently, have been placed largely on those whose incomes are least able to bear them. With the exception of one southern state, sales taxes account for as much as 59 per cent of the revenue, as compared to a maximum of 44 per cent from sales taxes in the northeastern states. The sales tax everywhere imposes a disproportionate burden upon low-income groups and relieves the pressure from the receivers of larger incomes, which explains its popularity among the latter.

Basic weaknesses in the South's economy are partly responsible for its unfavorable situation. While the region is growing more cotton and tobacco than it can use or sell at profitable margins, it is not raising the things it needs for the elevation of its standard of living. Southern farmers grow at home less than one-fifth of the things they use; four-fifths of all they eat and wear is purchased. Cotton, upon which the prosperity

39. *Ibid.*

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of the South so largely depends, is a crop that is subject to violent and unpredictable price variations influenced by world market conditions. For example, in 1927 cotton farmers got 20 cents a pound for their crop; in 1929, 16 cents; in 1931, 6 cents; and in 1933, 10 cents.

A growing population with vast needs and desires, which for the most part are unsatisfied, makes the South a potential commodity market of almost immeasurable possibilities. Cultivation of that market can come through a combination of forces, including an enlightened public opinion, better standards of wages and conditions of employment, effective collective bargaining, improved labor legislation, and progressive policies of labor management. The solution of the South's general economic dilemma is inextricably bound up with a solution of its problems of labor relations.

Questions for Class Discussion

A. IMMIGRANT LABOR

1. What is the essence of our immigration problem?
2. Is there any foundation for the opinion that immigration adjusts itself automatically to economic conditions in the United States?
3. What are the most significant facts concerning the changing composition of our immigration? Is it possible to attach any significance to this change, either from an economic or a social point of view?
4. How may we explain the failure of immigrants to distribute themselves more widely throughout the geographical areas and the industries of the nation?
5. What have been the causes of immigration to the United States? Is there any evidence of a change in the major contributing causes?
6. What do you regard as the most important positive and negative consequences of immigration?
7. What do you think are the most essential elements of a constructive social policy with regard to immigration?

B. MIGRATORY LABOR

8. Is there any validity in the contention that the migratory worker is an essential part of the agricultural pattern in the United States?
9. What conditions have been responsible for the increasing seriousness of the migratory labor problem in recent years? Are these conditions likely to be temporary or permanent?

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10. What are the most important economic, social, and political aspects of the current problem of migratory labor in this country?

11. Is the problem of migratory labor basically a national rather than a state or local one? If so, what should be the primary objectives of a national policy?

C. SOUTHERN LABOR

12. In what sense is the southern labor problem an integral part of the national problem?

13. How do you explain the fact that the South, which is the most characteristically American part of the United States, should have the most acute problems of labor relations?

14. To what extent and in what way is the peculiar agricultural economy of the South responsible for the severity of its labor problem?

15. Is the labor problem of the South basically a population problem? Is the population problem in turn fundamentally one of developing a more effective organization and exploitation of economic resources?

16. How do standards of income and wages in the South compare with those in the rest of the country? How do you explain the differences?

17. Why are the South's standards of hours and conditions of employment so inferior to those of the North and West?

18. Does the experience of the South lend any support to the opinion that low wages create employment?

19. What are the most serious social consequences of the South's comparatively low standards of income, wages, and employment?

20. Why should industrial paternalism have secured such a firm foothold in southern industries?

21. Is there any reason to believe that migration offers a solution of the South's labor problems?

22. Is industrialization likely to provide the South with an escape from its current economic dilemmas and a solution for its problems of labor relations?

23. What may be regarded as the most promising lines of development in the economic life of the South that may also provide alleviation of the condition of its laboring classes?

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Chapter 16

MISCELLANEOUS PHASES OF THE COMPETITIVE STRUGGLE—Continued

D. THE AGING WORKER

¶ TOO OLD AT FORTY. Wishful thinking may cause a lot of people to believe that "life begins at forty." The modern wage earner and the industrial and business executive know better; the facts of experience have taught them otherwise. Middle-aged employees meet difficulty in finding new jobs, once the old ones have been lost.

Of the 8,956,206 persons in the United States sixty-five years of age and over on April 1, 1940, almost 65 per cent were estimated to be dependent.¹ If the financial burden imposed upon society by the increasing army of dependent aged is not to become unbearable, the problem of discrimination against the aging worker must be solved, because approximately 40 per cent of all persons gainfully employed in this country are forty years of age or over.² Nor must it be forgotten that with the spread of birth control and the resultant stabilization of population the proportion of persons in the middle-age groups is increasing. The problem has become sufficiently serious in this country to command the attention of state and federal legislatures, private organizations, employers, and public officials. In a statement issued by him on November 18, 1936, the President of the United States called attention to the fact that the greatest increase in employment had been among skilled workers

1. "Economic Status of the Aged," *Monthly Labor Review*, vol. 46, June, 1938, p. 1349. The 1940 figure is from the Sixteenth Census, Series P-5, No. 7, released April 23, 1941.

2. *Ibid.*

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and the relatively young employees and that those remaining unemployed were for the most part unskilled workers and persons forty years of age and over. The President declared further:

It is widely known that many of the largest industries will not hire workers over 40 years of age. . . . Leaders of business must recognize the consequence of this hiring-age policy—it condemns many in this group of workers to permanent unemployment. It is scarcely necessary to point to the seriousness of this policy for the unemployed. Long-continued unemployment for the older workers results sooner or later in unemployability.³

Similar observations were made by the United States Secretary of Labor on September 6, 1937, who stated: "Such a policy affects the well-being and comfort of a considerable number of our citizens and threatens our social structure so that its alleviation and correction is becoming a growing matter of public concern."⁴

The essence of the problem is that age, regardless of other compensating qualifications, constitutes a definite handicap to job seekers over forty or forty-five years of age. It is very doubtful whether there exists among employers a deliberate policy of discharging workers in the middle-age groups merely on account of age. The disproportionate number of these wage earners who become job seekers is probably the result of the irregularity of employment in many industries and certain other conditions which cause layoffs. Such workers not only have difficulty in finding new jobs but stand less chance of re-employment at their old jobs than do younger employees who were laid off at the same time. In this connection it has been found that: "Older workers have an advantage in seniority rules and general personnel policy, on the whole, but when they are once displaced by layoffs, shut-downs, mergers, technological progress, or other impersonal causes, it is very difficult for them to secure re-employment."⁵ The Committee on Employment Problems of Older Workers, which was appointed by the United States Secretary of Labor

3. Cited by B. W. Patch, "The Job Problem for Older Workers," in *Editorial Research Reports*, vol. i, 1938, p. 184.

4. Frances Perkins, Labor Day Radio Address, September 6, 1937.

5. "Employment Problems of Older Workers," *Monthly Labor Review*, vol. 48, May, 1939, p. 1077.

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in 1938, reported that workers between forty years of age and the age of retirement have three major handicaps: namely, the present general unemployment, employers' prejudices, and their own fears.⁶

The 1937 Unemployment Census disclosed that unemployment was most extensive in the twenty to twenty-four age group. Without minimizing the problem which this group of young people faces, it is essential to point out the even more serious situation that confronts wage earners who are forty-five years of age or over. After the age of twenty-five employment improves for a while, but sometime after forty for men and thirty-five for women the trend turns downward with tragic consequences in numerous cases. Table 43, taken from the Unemployment Census of 1937, shows the mounting rate of unemployment for older groups.⁷

TABLE 43
PER CENT OF NONFARM WORKERS TOTALLY UNEMPLOYED OR
EMPLOYED ON EMERGENCY WORK, 1937

Age Group	Males	Females	Both Sexes
All ages	19.4	24.7	21.0
20-24 years	25.2	24.1	24.7
25-29 "	16.3	19.5	17.4
30-34 "	13.8	20.0	15.7
35-39 "	14.0	22.4	16.4
40-44 "	15.0	23.3	17.0
45-49 "	16.7	24.1	18.4
50-54 "	18.4	23.5	19.4
55-59 "	22.2	26.2	22.9
60-64 "	23.5	24.0	23.7

SOURCE: *Monthly Labor Review*, vol. 48, May, 1939, p. 1077.

Similar evidence of the serious problem that faces the aging worker has been gathered by many other agencies. The Works Progress Administration reported in 1938 that those who secured employment with private industry after being separated from WPA rolls were, on the average,

6. *Ibid.*

7. *Ibid.*

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ten years younger than those who were unable to get jobs.⁸ The United States Department of Labor reported:⁹

Although there have been relatively small changes in the age distribution of the unemployed recorded by the United States Employment Service at various dates during the past 18 months, men and women beyond the middle forties, who have fallen out of work, have on the whole regained a place in industry less easily than younger workers.

An industrial survey in Massachusetts revealed that two-thirds of the men hired and rehired in a number of different industries were under thirty-five years of age.¹⁰ It is generally true, moreover, that unemployment among older workers is likely to be much more prolonged than that of younger age groups. The duration of unemployment in Philadelphia, for instance, was four times as long among men in the age group forty to forty-four as in the age group twenty to twenty-four.¹¹ The plight of the older worker is made even more serious by the fact that family responsibilities are heaviest in the middle years of life, and the joblessness of these mature workers means both deprivation and denial of opportunities for the young.

Arbitrary discharge of older workers may not be common, but there is convincing evidence of discrimination against such workers who seek employment. In the state of New York in 1937 it was found that such an employment policy was prevalent in all industrial areas, according to the testimony of witnesses representing 1,750,000 employees, or about 31 per cent of the gainfully employed.¹² A study made under the auspices of the New York State Commission on Old Age Security, covering 2000 manufacturing concerns, disclosed that one out of every five had

8. *Ibid.*, p. 1078.

9. "Young and Old at Employment Office," *Monthly Labor Review*, vol. 46, January, 1938, p. 15.

10. D. L. Palmer and J. A. Brownell, "Influence of Age on Employment Opportunities," *Monthly Labor Review*, vol. 48, April, 1939, p. 771.

11. Margaret W. Bell and Gladys L. Palmer, *Employment and Unemployment in Philadelphia in 1936 and 1937*, Works Progress Administration Research Project, in co-operation with the University of Pennsylvania, Wharton School of Commerce and Finance, part ii, May, 1937 (Table C-19).

12. See *Preliminary Report of Joint Legislative Committee on Discrimination in Employment of the Middle Aged*, Albany, New York Legislature, 1938.

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adopted formal or informal hiring-age limits barring old applicants from virtually all jobs in the establishment. Such a policy, moreover, was usual in the larger companies. The maximum age was ordinarily fixed at forty-five years for men and forty for women.¹³

A survey by the National Industrial Conference Board, an employers' research organization, showed that in 804 companies employing more than a million workers less than one-fourth had fixed a definite maximum hiring age for older workers. Among those having hiring-age limits, the maximum for men was fifty and for women forty.¹⁴ Another employers' organization, the National Association of Manufacturers, found that more than one-fourth of 700 companies surveyed had hiring-age limits.¹⁵ Numerous other studies indicate the same result, namely, that there is widespread discrimination against aging workers who are looking for jobs. In this connection it must be remembered that statistics only inadequately reveal the true situation because the majority of firms will not admit discrimination against older wage earners, even when they actually practice it. Other things being equal, the preference for younger workers is almost universal.

THE CAUSES OF DISCRIMINATION AGAINST OLDER WORKERS. There are numerous reasons for the discrimination against aging workers who seek employment. Twenty-one causes of such discrimination were disclosed in the investigation made by the Joint Legislative Committee of the State of New York.¹⁶ These may be grouped as follows: (1) pension plans and group insurance, (2) workmen's compensation, (3) physical and mental requirements of modern industry, (4) lower wage costs, (5) customer preference for young workers, (6) promotional policies, (7) technological changes, (8) educational and training qualifications,

13. S. Barkin, *The Older Worker in Industry*, Report to the Joint Legislative Committee on Unemployment, Prepared under the Auspices of the New York State Commission on Old Age Security, 1933, pp. 190, 194-5.

14. F. Beatrice Brower, *Personnel Practices Governing Factory and Office Administration*, New York, National Industrial Conference Board, 1937, p. 25.

15. National Association of Manufacturers, *Workers Over 40; A Survey of Workers Forty and Over in Industry*, New York, December, 1938, pp. 7 ff.

16. See *Preliminary Report of Joint Committee on Discrimination in Employment of the Middle Aged*, op. cit.

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and (9) governmental discrimination. Only a brief explanation of these several factors is possible here.

1. *Pension Plans and Group Insurance.* Commenting on the causes of the increasing difficulty that confronts aging workers in search of employment, an authority on the subject observed: ¹⁷

Strange as it may seem, the increasing difficulty of finding a job in old age is not due to an increasing heartlessness of our employers. On the contrary, the problem has arisen, to a large extent, as a result of the humanitarian desire on the part of some of our industrial leaders to protect from destitution in old age those workers who have given them long periods of service. . . . The age barrier against employment became a serious problem when American employers adopted private industrial pension plans.

Pension plans were widespread in American industry long before the Social Security Act (1935) was conceived. Moreover, numerous corporations continue to support such plans in order to supplement the old-age benefits provided by the new social legislation. Under these circumstances employers have naturally preferred young applicants who will be longer in reaching the pension age and who, when they are retired, will be provided for by the social insurance scheme. "The employer who feels that he cannot get rid of a worker because of his age, without providing some kind of a pension, is also careful to see that his working force is not too heavily loaded with older people, and therefore picks his replacements from the younger applicants." ¹⁸ Although it is extremely difficult to prove, except in isolated cases, the accusation is frequently made that employers sometimes adopt a policy of discharging workers just before the pension age is reached, thus reducing pension costs. There is every reason to believe that when the pension provisions of the Social Security Act become fully effective for all industrial wage earners, considerable progress will have been made toward the removal of one of industry's major reasons for hiring primarily from younger applicants. ¹⁹

Group insurance is an attempt on the part of progressive employers to protect the dependents of deceased workers by insuring the lives of em-

17. Abraham Epstein, "The Older Worker," *The Annals*, American Academy of Political and Social Science, vol. 154, March, 1931, p. 28.

18. Palmer and Brownell, *op. cit.*, p. 779.

19. *Ibid.*, p. 778.

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ployees.²⁰ The rates for older persons under group insurance, as under other forms of insurance, are higher than for younger employees. Because employers invariably desire to keep the cost of insurance coverage for their employees as low as possible, they prefer to build up their working forces from among younger applicants. Employers quite generally deny that they have maximum hiring-age limits as a result of group insurance and pension plans, but investigation has disclosed that they do apply such limits, often unwittingly. For example, a survey of 516 group insurance patrons showed that 60 per cent of them disclaimed having any maximum hiring-age limit, but an inquiry by the State Department of Labor and Industries revealed that many of these actually had such limits.²¹

The trend toward the contributory type of group life insurance, in which the employees themselves pay a part of the premium, may do much to minimize this cause of discrimination against older workers. In any event, since group insurance rates are so low as to add only a relatively small addition to pay-roll expense, even if the total premium is paid by the employer there is no reason why it should constitute a significant factor in maximum hiring-age limits. Certainly the abuse of group life insurance in this regard should not be viewed as a reason for its discontinuance. Considered from the viewpoint of the greatest good to the greatest number, this form of insurance has benefited many more middle-aged workers than it has deprived of jobs.²²

2. *Increased Rates of Compensation Insurance.* Accident experience rather than the ages of employees constitutes the primary basis for determination of workmen's compensation insurance rates. A corporation having a relatively low accident frequency and severity rate can command much more favorable compensation insurance terms than one having a relatively high accident frequency and severity rate. The fundamental question is, therefore, whether the presence of older workers affects the accident record adversely. This appears to be a disputed point.

20. See chapter 24.

21. "Causes of Discrimination against Older Workers," *Monthly Labor Review*, vol. 46, May, 1938, p. 1139.

22. *Ibid.*

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An inquiry in the state of New York showed that "middle-aged workers are less liable to accidents than are younger workers, but recover more slowly, not because they are subject to more serious accidents but because they require a longer period to recuperate."²³ The same inquiry disclosed that middle-aged employees do not cost employers more for workmen's compensation insurance than do younger employees. A leading authority on rate making pointed out that age is not a factor in compensation rates.²⁴

Accident records in a number of industrial plants in Massachusetts showed no definite relation between age and either frequency or severity of accidents in the case of men, but among women workers younger women experienced more accidents than did older ones.²⁵ Many employers have discovered that older employees, although less agile and alert than younger ones, are generally more cautious and less likely to take risks. There is certainly no convincing evidence to support the contention that the accident frequency rate increases or decreases with age. Discrimination against older applicants on this score would therefore seem to be totally unjustifiable.

There is general agreement that middle-aged workers are more likely than younger ones to contract occupational diseases. This is believed to be especially true of unskilled workers, and much less true of highly skilled ones.²⁶ Medical authorities have long since discovered that from the fortieth year, physical degeneration is likely to set in and to continue at an accelerated rate until the time of death. Such authorities also agree that impairments become noticeable in a shorter period of time among wage earners than among higher social groups.²⁷ For this and other reasons, it is sometimes contended that insurance companies urge employers not to hire older workers, but proof of such advice is difficult to find.

3. *The Exacting Physical and Mental Requirements of Modern Industry*. The demands of modern industry and business upon the physical and mental capacities of the wage earner are such as to put a premium

23. *Ibid.*, p. 1138.

24. *Ibid.*

25. Palmer and Brownell, *op. cit.*, p. 766.

26. "Causes of Discrimination against Older Workers," *op. cit.*, p. 1139.

27. *Ibid.*

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upon youthful applicants. The speed and constantly accelerated tempo of industrial life and the strain of commercial and financial positions are familiar to all who have been in touch with them. Physical unfitness in the older worker is undoubtedly his greatest handicap in securing a job, and it becomes a double hindrance in the case of the unemployed skilled worker. Moreover, when it is remembered that from 2 million to 2.4 million persons meet with nonfatal accidents each year in the United States, the industrial wage earner is fortunate if he reaches forty years of age without having had an accident that will either prevent or reduce his chances of re-employment.²⁸ In occupations calling chiefly for physical strength and endurance or in those requiring mental alertness and quick reaction, advancing age is likely to be a very real obstacle to employment.

It should not be concluded from the foregoing that older workers are generally less efficient than younger ones or that their productivity necessarily declines with age. Although the evidence is insufficient to warrant generalization, productivity records of a number of firms indicate no definite tendency toward diminution in production with advancing age, except in a few special jobs. In certain skilled operations it has been found that advancing age, at least to the extent that it is assumed to be accompanied by maturity and a sense of responsibility, is considered a definite advantage. This is likely to be true especially where the work precludes close supervision, or where the least carelessness could result in substantial damage to machinery, equipment, and materials.²⁹ The Committee on Employment Problems of Older Workers found that there was no evidence which would support, and much that would invalidate, a wholesale prejudice against older employees.³⁰

In evaluating the desirability of a prospective employee, factors other than physical and mental ability may determine the difference between success and failure in a position. In the first place, it is a physiological fact that physical and mental impairment begins at different times in different persons, which means that age may not be an accurate criterion for selection and placement of workers. Second, moral character, dependability, punctuality, and regularity are as important as superior

28. *Ibid.*, p. 1140.

29. Palmer and Brownell, *op. cit.*, p. 777.

30. *Ibid.*

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physical and mental capacity in innumerable positions. The committee to which reference has just been made issued the following significant statement:³¹

Unthinking acceptance of the idea that workers of 40 or over are less desirable than young workers has created a serious situation. An examination of factual data on productivity, accident, sickness, group insurance, and pension plans has led to the conclusion that there is little significant relationship between age and costs, and that the prejudice against hiring older workers rests largely on inadequate and erroneous impressions. We urge that everything possible be done to dispel the idea that workers are through after 40.

It is evident, then, that in considering applicants for jobs physiological age rather than chronological age is the important factor. Because individuals differ so widely, it is now generally regarded as inaccurate to attribute specific physiological characteristics to certain age groups.³² If employers could be provided with more accurate and positive tests for measuring physiological age, there is reason to believe that much of the prejudice against aging applicants would disappear. There are many executives who feel that older employees up to fifty-five and even sixty years of age can hold their own against younger workers. These executives believe that, except in a few special occupations, no case can be proved against older employees on the basis of productivity, sickness and accident rates, or dependability.

4. *Lower Wage Costs and Greater Flexibility of Younger Workers.* Despite the convincing evidence of the productive capacity of older workers, employers rather generally express a preference for younger employees in building up their working forces. Many reasons are advanced for this definite preference. Youthful employees are likely to be more versatile, flexible, and tractable. They can be shifted in their younger years from department to department throughout the plant or the entire organization, which increases their adaptability. While they are learning the new operations they can be kept at relatively low rates of pay.

It is likely to be quite otherwise with older workers who are looking for jobs. Usually such workers have fairly heavy family responsibilities which call for relatively high earnings; it is much easier to get these

31. *Ibid.*, p. 1078.

32. Palmer and Brownell, *op. cit.*, p. 778.

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earnings on jobs with which they are familiar and on which they have acquired a high degree of dexterity and efficiency. Family responsibilities also make it difficult to transfer older employees to distant branches of the company. There is no doubt that advancing age lessens the average individual's willingness and ability to learn new operations. Limited skill, lack of experience in bargaining for jobs, and eagerness to get a start enable employers easily to recruit very young applicants on terms of employment totally unacceptable to older ones.

5. *Customer Preference for Younger Workers.* In certain occupations the public manifests a definite preference for younger employees. The employer is not in a position to disregard the preference of his customers. There is, for example, little demand for waitresses who are not young and attractive. The same holds true with regard to store clerks and quite generally to all positions in which employees come into direct contact with the public. Employment offices find it extremely difficult to place middle-aged stenographers and office workers.

6. *Promotional Policies.* It is regarded as sound personnel procedure to promote employees from within the organization. This is a well-established policy in corporations that have a progressive program of personnel administration. If there is within a firm an employee who can assume the duties and responsibilities of an advanced position, there is a moral obligation to give him an opportunity to do so. This means that experienced, well-trained, and competent middle-aged applicants, many of whom are capable of filling minor executive positions in new firms, cannot easily break into a new company. The same difficulty confronts middle-aged employees of lesser qualifications. In the principal cities of the United States, executive clubs and "Forty Plus" clubs have taken an active part in attempting to place their unemployed members. Despite the fact that in the vast majority of cases executives over forty years of age seeking jobs are known to be competent, conscientious, stable, and open-minded, placement is extremely difficult.³³

7. *Technological Changes.* The middle-aged worker is frequently caught in the stream of displacements that result from the introduction

33. "Men over 40 in Executive Positions," *Monthly Labor Review*, vol. 46, March, 1938, p. 661.

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of new machinery and the speeding up of old machinery, the adoption of new methods and processes, economy and efficiency plans, mergers, consolidations, organizational readjustments, and failures. The elimination of skilled workers is the inevitable consequence of such new processes as the welding of large steel castings, the cracking of petroleum by continuous process, and similar technical improvements. Such automatic machines as have invaded the bottle, shoe, and lithograph industries have caused a large displacement of skilled artisans. The skilled and the unskilled have yielded to the machine as a result of the introduction of ditch-digging machines, conveyor-belt systems, automobile trucks, tractors, and numerous loading devices. As we have seen elsewhere in our study, the restless advance of invention makes old skills obsolete; and, while it may create new demands for labor, there is no assurance that the particular groups of displaced laborers will escape the privations of readjustment. Displaced middle-aged workers invariably find that younger employees are desired for those new processes that must be learned.

8. *Educational and Training Qualifications.* Educational and training considerations are important in the occupational readjustment of older workers. The essentially dynamic nature of modern industry and business results in a constant process of training and retraining. In many industries employers insist upon hiring younger persons because these are more readily trained than older men and women. This is especially true in trades requiring manual dexterity. In the weaving trades, for example, it is said to be almost impossible to train men and women over thirty years of age. In those trades which do not require extreme manual dexterity and agility, older workers can be trained almost as readily as younger ones.

Employers frequently contend that older employees who have not the equivalent of a high school or trade school education are difficult to train for precision work. It is also alleged that many middle-aged workers have not sufficient education to write legibly and figure accurately. In this connection it must be remembered that the vast majority of persons now in middle age were educated when educational standards were not so high and compulsory secondary education was less general than now. Moreover, it is only in recent years that vocational courses for adults have

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assumed a position of importance in our metropolitan school systems. This retraining of adults at public expense may do much to reduce the occupational hazards of middle age.

A considerable number of workers have lost their mechanical skill and dexterity because of prolonged layoffs during the Great Depression. Many employers have an established policy of retraining such persons to their former skill whenever possible, but changed methods and processes that have been introduced into the industry in the meantime make such retraining extremely difficult in some cases. There appears to be an inadequate supply of skilled workers among middle-aged applicants for jobs, but in many occupations which formerly required skilled workers technological developments have simplified the requirements and rendered the skill obsolete. In such cases skilled men have little advantage in seeking employment. Indeed, because of the nature of the jobs they formerly filled, they may even be at a distinct disadvantage as compared with unskilled applicants.³⁴ There is reason to believe, moreover, that a considerable number of skilled workers, who previously were good craftsmen, are conscious of their loss of dexterity in their old crafts and have not the courage to apply for their former jobs. These are on relief or have drifted into lower-grade occupations.³⁵

9. *Governmental Discrimination.* Age discrimination has frequently been practiced by municipal, state, and federal civil services. It is true, of course, that governmental services provide a larger share of employment for older workers than does private industry. Nevertheless, the adherence to age limits in public employment does constitute a serious barrier to employment and furnishes an undesirable example for private enterprise.

THE CONSEQUENCES. Some of the consequences of hiring-age limits are tangible and can be measured in terms of economic loss to the aging workers and their families; other consequences are subjective and intangible but no less real and are known only to the victims themselves. It is not difficult to imagine the mental state of self-respecting men and women who, after many years of faithful service to industry, find them-

34. Palmer and Brownell, *op. cit.*, p. 777.

35. "Causes of Discrimination against Older Workers," *op. cit.*, p. 1142.

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selves on relief. Denied employment while still in possession of their physical and mental faculties, often in the prime of life, the aging workers inescapably face a dismal future. Nor must it be forgotten that large numbers of such people are average middle-aged men and women who have family responsibilities—with children to feed, clothe, house, and educate and, in many cases, dependent parents to support. The effects of enforced poverty and relief upon the younger generation were reported as alarming in the state of New York.³⁶ The dismal present is made more dismal by the consciousness which these men and women have of the future difficulties that must inevitably issue from their loss of skill and the necessity for occupational readjustment.

TOWARD A SOCIAL POLICY. Whether the problem of discrimination against older workers is the result of a deliberately established hiring policy or an unconsciously developed habit, it is sufficiently serious to cause social concern and to call for the formulation of a social policy. In any approach to remedial measures it is necessary to remember that the problem is in part the natural consequence of our individualistic economy, in which entrepreneurs assume the risks of enterprise and insist upon the freedom to hire and fire employees as suits the needs of the establishment. Principal executives and foremen, who have final authority in hiring in most plants, will have to be convinced of the need for a new policy. This is going to be difficult in view of the numerous economic advantages claimed for the recruitment of younger workers.

There is, of course, a biological aspect of the problem which offers a barrier to any arbitrary solution: the fact that men and women grow old. Passage of time, it has been observed, would continually increase the average age of a completely stabilized working force, and it is only by hiring young people that any stability of average age can be maintained.³⁷

Schemes for reform must also take cognizance of a fact presented in the previous pages, namely, that our competitive system is in a state of constant flux. Industrial and business units come and go, and in the stream of bankruptcies, mergers, consolidations, and combinations older workers are thrown into an already overcrowded labor market in which youth is favored and offers itself for sale at lower rates. It is generally

36. *Ibid.*, p. 1143.

37. Palmer and Brownell, *op. cit.*, p. 780.

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agreed that no escape from the dilemma is possible until and unless we first solve the general problem of unemployment, since there is grave danger that we shall merely transfer the dilemma from one set of workers to another.

The quickest and most effective approach to the situation that confronts the aging worker is necessarily in the hands of employers. Within reasonable limits, industry might well be expected to recognize and assume the responsibility of increasing employment opportunities for older workers and the unskilled. This would involve merely the apportioning of a fair share of jobs to competent applicants forty years of age and over. Whenever and wherever economically feasible, a definite ratio of all jobs in the enterprise might be set aside for such applicants. The policy has been adopted by such important employers of labor as the Ford Motor Company and the General Electric Company.

The increasing unionization of workers may assist materially in reducing the number of employers who are inclined to discharge workers past middle age. Seniority rules embodied in union agreements are an effective safeguard of the older workers' rights to employment preference. As already indicated, the proportion of employers who arbitrarily discharge older workers merely on account of age is relatively small; most employers feel a definite obligation to retain such workers as long as it is economically practicable. In periods of depression, however, when layoffs are general, preference for younger workers is invariably shown in re-employment. In periods of prosperity, when labor is scarce, the difficulties of older applicants diminish because the employment age is pushed up.

The individual worker cannot escape a measure of responsibility in this problem. Re-education, the acquisition of new skills, association with an expanding enterprise, and the maintenance of a high standard of efficiency are some of the ways in which alert wage earners have safeguarded themselves against the contingency of unemployment and the difficulty of re-employment.

The problem of the aging worker is not one that can be solved by employers and employees, whether acting individually or collectively. Social action is necessary to supplement the activities of these directly

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interested parties. Many items have been suggested for an acceptable social formula. Among these are adult education, especially vocational re-education and training, revitalization of the apprenticeship system, elimination of prejudice against older workers in public services, legislative action against the private policy of refusing to hire aging workers or of discharging them merely on the ground of age, adjustment of compensation insurance and pension systems so that employees will not be penalized to the point of losing their positions just because they accumulate birthdays, employment preference for older workers on public projects, and state subsidization of self-help co-operatives.³⁸

Municipal, state, and federal governments can do much through a co-ordinated system of public employment exchanges. By keeping an occupational history of individual applicants, these services could help to diminish prejudice against the hiring of middle-aged persons. Because such agencies direct and distribute the flow of labor, considerable can be done by them to divert workers from those industries and establishments known to have a prejudice against aging employees into those industries and plants known to be favorably disposed toward such persons. In this way older applicants and jobs can be brought together. General analysis of the employment problems of older workers, education of employers as to the value of middle-aged applicants with special qualifications, and vocational guidance for displaced employees are among other functions that might be performed by public employment services. The United States Employment Service, which is already doing significant work in placement, can assist in achieving many of these purposes by making a study of employment opportunities for aging employees in particular communities and industries and ascertaining the types of jobs best suited to middle-aged workers. Special attention should be given to the qualifications, experience, and aptitudes of middle-aged persons seeking employment, with a view to suggesting available facilities for retraining and the readjustment of skills.

The Committee on Employment Problems of Older Workers suggested that government retirement systems be absorbed into the old-age

38. Farnsworth Crowder, "The Chance of a Job: After 40?" *Survey*, vol. 27, February, 1938, p. 121.

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insurance plan provided by the Social Security Act. An alternative proposal included a provision under this act or otherwise for those who enter the federal services too late to complete the fifteen years of service required to qualify for pension rights under the Civil Service Retirement Act. In either case the fifteen years of service rule would no longer be necessary, and one important reason for hiring-age limits in public employment would disappear. The same recommendations covered state and municipal employment and civil services.³⁹

Some states have been disposed to favor drastic action in an attempt to eliminate discrimination against older employees. Pennsylvania, in 1928, and California, in 1930, endeavored to marshal public opinion against this prejudice. "White lists" of employers who did not bar competent applicants from employment on account of age were compiled and published. Several states, including Illinois, Minnesota, New York, Pennsylvania, and Texas, have considered legislative action favoring older workers, but these efforts have not been successful. Massachusetts in 1937 passed a law which states that it is "against public policy to dismiss from employment any person between the ages of 45 and 65, or to refuse to employ him, because of age." This statute requires employers to keep a record of the ages of all their employees and empowers the Department of Labor and Industries to publish the names of employers who, after investigation of complaints, are found guilty of dismissing from employment or refusing to employ any person between the ages of forty-five and sixty-five because of age.

In 1937 New York passed a law which forbids state and local civil service commissions to fix arbitrary age limits for entrance into public employment, except for positions requiring unusual physical ability, such as those of firemen and policemen. Attempts to introduce similar regulations for the federal civil service have failed. Spokesmen for the United States Civil Service Commission have opposed such measures on the ground that they restore the very condition which the existing retirement act was intended to correct, namely, the retention on the public payroll of old persons who are no longer able to render efficient service but who are kept on because they are without means of support.

39. "Employment Problems of Older Workers," *op. cit.*, p. 1080.

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Whether the problem of the older worker can be solved by legislation is doubtful, although the attention given to it by several legislatures has stimulated private employers to find ways and means of meeting the situation. With regard to the Massachusetts act, for example, it has been stated: "Although the act is enforceable only through publication of violations, it has awakened employers to the alternative of industrial as compared with legislative action in this field."⁴⁰ Undoubtedly additional research is essential to the formulation of a sound social policy. In the meantime, the co-operation of employers, employees, organized labor, special private organizations such as executive clubs, and government can do much to lessen the severity of the problem. No one familiar with the situation can doubt that constructive social action is necessary in the encouragement of attempts to solve the problem. The United States has generously provided for the education of its youth and, through the Social Security Act, has inaugurated a significant program of assistance to the aged. The burden of expense for these and other social programs necessarily rests heavily upon those who are in the age groups between twenty-five and sixty-five. What that burden is likely to be in the future may be seen from the fact that the number of persons receiving old-age assistance under the Social Security Act doubled during the three-year period ending June 30, 1939, and the total payments jumped from \$243,200,000 in the fiscal year 1936-1937 to \$411,500,000 or 69 per cent, in the year ending June 30, 1939. In California alone, the pension expense for the 128,000 persons over sixty-five during the biennium ending June 30, 1939, was \$87,500,000, while the 144,000 of that age in the biennium ending June 30, 1941, will receive \$116,000,000 even if the average of \$33.70 a month per person is maintained.⁴¹ It is socially imperative, therefore, to assure employment opportunities and sustained income for productive workers in the older age brackets. If, as the trend indicates, middle-aged persons are to constitute an increasing proportion of our population, the problem of discrimination against them in finding employment may become much more serious than it is at present.

40. Palmer and Brownell, *op. cit.*, p. 767.

41. The pension rate was increased from \$35 a month in 1939 to \$40 a month beginning January 1, 1940.

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E. NEGRO LABOR

THE NEGRO IN THE ECONOMY OF THE UNITED STATES. Important changes have taken place in the economic status of the American Negro since the issuance of the Proclamation of Emancipation by President Lincoln on January 1, 1863. From a position of almost exclusively agricultural slave laborers prior to the Civil War, Negroes have taken their places in the diversified economic life of the nation during the approximately eighty years since that time. The economic status of the colored race is not yet something about which we can boast, but that significant advances have been made must be admitted. There are definite reasons why the economic progress of the Negro in our supposedly democratic society has not been greater and more rapid than it has; these will appear as we examine, all too briefly, the various aspects of Negro employment.

Census figures reveal that in 1930 there were in the United States 5,593,535 Negroes (3,662,893 males and 1,840,642 females) ten years of age and over who were gainfully employed. This figure was 59.2 per cent of the total Negro population ten years of age and over, a higher proportion than for native whites (47.0 per cent) or foreign-born whites (56.1 per cent). The principal reason for this discrepancy in the percentages of racial groups gainfully employed was the large proportion of Negro females ten years of age and over who were gainfully occupied, the figure being 38.9 per cent, as compared with only 20.5 per cent for native white and 18.8 per cent for foreign-born white females.⁴² It should be noted further that 33.2 per cent of married Negro women were gainfully occupied, as compared to 9.8 per cent of married native white women and 8.5 per cent of married foreign-born white women. The proportion of males ten years old and over gainfully occupied in 1930 was 80.2 per cent for Negroes as compared to 73.4 per cent for native whites and 88.4 per cent for foreign-born whites.⁴³

The occupational distribution of the Negro in comparison with that for native whites and foreign-born whites is shown in Table 44.

42. Alba M. Edwards, "The Negro as a Factor in the Nation's Labor Force," *Journal of the American Statistical Association*, vol. 31, September, 1936, p. 529.

43. U. S. Bureau of the Census, 1930 Census, *General Report on Occupations* (1930), p. 74.

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TABLE 44

GAINFUL WORKERS 10 YEARS OF AGE AND ABOVE PER 1,000
POPULATION IN 1930 BY INDUSTRY, COLOR, NATIVITY

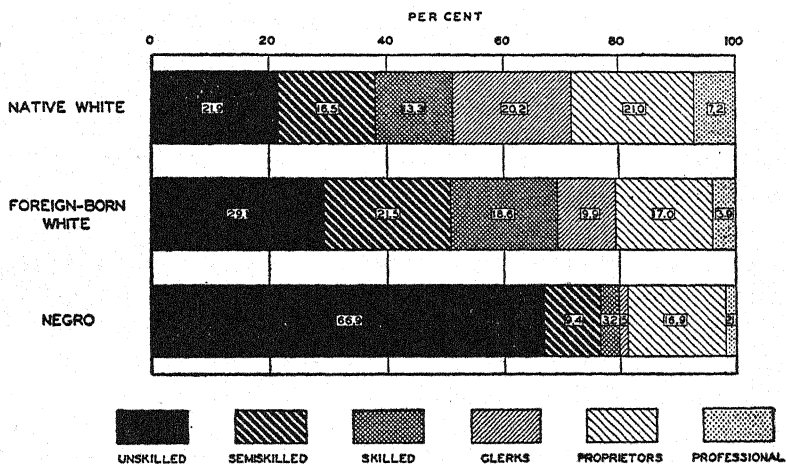
Industry	DISTRIBUTION PER 1,000 GAINFULLY OCCUPIED		
	Negro	Native White	Foreign-Born White
Agriculture	361	214	91
Domestic and personal service	287	66	127
Manufacturing and mechanical industries .	186	275	441
Transport	72	82	66
Trade	33	137	137
Professional service	25	79	44
Extraction of minerals	14	19	31
Public service (not elsewhere classified) ..	9	19	16
Clerical occupations	7	104	41
Forestry and fishing	6	5	6

SOURCE: U. S. Bureau of the Census, *Negroes in the United States, 1930-1932* (1935), p. 975.

It will be noted that by far the highest ratio of Negro workers is in agriculture and domestic and personal service. During the past two decades they have increased rapidly in manufacturing and mechanical industries; the impetus for this movement was given during the World War. The relatively high proportion in transport is due to the large number of colored males in Pullman and dining-car service. There are certain occupations in which Negroes predominate; many of these are traditionally associated in the public mind with colored employees. For example, 73.5 per cent of the porters, outside of stores, are Negroes; 68.5 per cent of the cooks (other than in hotels, restaurants, and boarding houses), and 50.6 per cent of the bootblacks are Negroes. Almost 80 per cent (79.5) of all Negroes gainfully occupied in 1930 were manual laborers in skilled, semiskilled, and unskilled occupations. If farm owners and tenants are included, 95.4 per cent of all Negro workers were in manual occupations. Negro croppers, who do not differ markedly from farm laborers, might well be regarded as unskilled, in which case 74.1 per cent of all Negro workers in 1930 were in unskilled pursuits.⁴⁴

44. Edwards, *op. cit.*, p. 533.

CHART 24
SOCIO-ECONOMIC GROUPS IN THE UNITED STATES, BY COLOR
AND NATIVITY, 1930



SOURCE: Alba M. Edwards, *A Social-Economic Grouping of the Gainful Workers of the United States*, U. S. Bureau of the Census, Diagram 2 and Table 3, pp. 10, 12.

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There has been a definite change in the occupational distribution of Negroes in this country. The proportion in agriculture decreased from 54.6 per cent in 1910 to 36.1 per cent in 1930. There was also a decrease in those in forestry and fishing. On the other hand, the proportion in manufacturing increased from 12.6 per cent to 18.6 per cent in the same period. Marked increases were also registered in the public service, professional service, and clerical occupations.⁴⁵

The South is still the home of the vast majority of gainfully employed Negroes; 76.5 per cent were classified as living there in 1930. Of these, 47.2 per cent were in agriculture, many of them in cotton raising. But changes are taking place which may have important effects upon the employment and distribution of colored labor. The center of cotton production has tended to move westward; and, although this movement has halted temporarily, its revival is not unlikely. More important than this change are the modifications that are being introduced in the methods and processes of production. The traditional and somewhat picturesque Negro farmer and his mule and one-mule plow are yielding ground to improved machinery. The tractor, the gang plow, the multiple-row cultivator, and the mechanical cotton picker are invading an area of employment where human hands and simple tools have been relied upon from the beginning. Such changes are likely to cause an increased migration of colored laborers to the North and West unless industries move to the South at an accelerated rate to absorb the displaced workers. "Such a migration, to the extent that it became extensive, would mean a geographical redistribution of the Negro population; and it would bring to other sections of the country Negro population, occupation, political and social problems which, for the most part, have been confined to the South."⁴⁶

The possibility that the machine may take over much of the work now being done by unskilled Negroes in the South raises some very interesting questions with regard to the disposition of displaced workers, the possibility of shifting them into higher occupations, the capacity of the Negro for occupational re-adaptation, the effect upon native and foreign-born whites in northern industries, and the danger of accentua-

45. *Ibid.*, p. 534.

46. *Ibid.*, p. 535.

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tion of race prejudice in the North. Time alone can answer such queries. Experience indicates that the movement of the Negro to cities in the North and the South has accelerated his movement into intellectual and higher manual pursuits. His occupational elevation has been seriously handicapped, however, by his lack of general and vocational education and training. The percentage of illiteracy among persons ten years of age and above in 1930 was 16.3 for Negroes and only 2.7 for whites; and the percentage of persons five to twenty years of age attending school in 1930 was 60.0 for Negroes as compared to 71.5 for whites.⁴⁷

Even if Negroes do not advance to higher occupational levels, it is not likely that they will soon take over the places of unskilled whites who can advance. Between 1910 and 1930 unskilled workers in the United States decreased from 14,251,589 to 14,008,869. Negro unskilled workers numbered only 3,683,164 in 1930, so they could provide at the most only a little more than a quarter of the nation's necessary supply of unskilled labor. Wholesale displacement of white unskilled employees by Negroes is, therefore, not probable. Unemployment may be the lot of large numbers of southern colored workers who are unfortunate enough to lose their jobs from technological changes. It is not probable that unskilled whites will move into higher occupations rapidly enough to relinquish a sufficient number of unskilled jobs to these displaced Negroes. Moreover, lack of training, experience, and funds makes the unskilled Negro labor supply a rather immobile one; hence, it is not certain that they could fill all of the positions that might be available for them.⁴⁸

The relative importance of the Negro worker in the economy of the United States shows a steady tendency to decline. The 1790 census showed that Negroes constituted 19.3 per cent of the total population. The percentage has been declining with every decennial enumeration except 1810; the 1930 census showed that they constituted only 9.7 per cent of the population. Likewise, occupational statistics indicate a decline in the relative importance of Negroes in the total labor force of the nation.⁴⁹

THE UNEQUAL ECONOMIC OPPORTUNITIES OF THE NEGRO. It is common

47. U. S. Bureau of the Census, 1930 *Census*, *op. cit.*, pp. 1094, 1219.

48. Edwards, *op. cit.*, p. 535.

49. *Ibid.*, p. 534.

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knowledge, supported by abundant evidence, that the Negro race in the United States has never been accorded equal, and very seldom equitable, opportunities in industry, commerce, public utilities, public service, or professional services.⁵⁰ Although there has been a gradual upward trend in the economic status of the Negro, the opportunities afforded him and the treatment accorded him have not been such as to elicit the commendation of impartial and objective students of the race problem.

As indicated in the preceding pages, the vast majority of Negro workers are confined to unskilled, marginal labor in which wages are low, hours excessively long, and conditions of employment unfavorable. Where they are not protected by union organization or by law, they are subjected quite generally to humiliating treatment at the hands of their supervisors. The industries that seek their labor are seldom attractive ones. It is not an accident that Negroes constitute 84.1 per cent of the workers in fertilizer factories, 82.1 per cent of those in turpentine farms and distilleries, and a large part of the labor force in similarly uninviting occupations, such as garbage collection, bootblacking, and portering. These menial tasks are filled largely by Negroes, not because they especially desire to be in them, but because tradition condemns them to be "hewers of wood and drawers of water" for the white race and because their educational and training opportunities have been so limited as to restrict their entrance into better occupations.

THE NEGRO'S WAGE AND INCOME. The restricted and unequal employment opportunities of the Negro inevitably affect adversely his wage and income. Although he often suffers from wage discrimination in those industries in which he is not protected by collective bargaining, his low earnings are largely the inescapable consequence of his economic immobility. Quite apart from race prejudice and discrimination, his lack of education, training, and skill precludes his entrance into higher occupations. An investigation of pay rolls in the iron and steel industry, in which Negro labor constitutes about one-tenth of the total labor force, revealed that the differential between average hourly earnings of white and Negro

50. See, for example, the findings of the Temporary Commission on the Condition of Urban Colored Population of New York, created under an Act of June 3, 1937.

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workers is caused not by wage discriminations but by lack of occupational opportunities for Negroes. Taking the country as a whole, 95.5 per cent of the skilled workers were whites, and only 4.5 per cent were colored. Of the semiskilled labor force 91.2 per cent were whites, and 8.8 per cent were colored. Slightly over one-third of all workers were in unskilled jobs, and of these 81.4 per cent were whites and 18.6 per cent were Negroes. However, only 32.1 per cent of all white laborers were in unskilled jobs, as contrasted with 61.1 per cent of the colored. Examination of wage data showed that for white workers alone the average was 69.5 cents an hour, or 14.9 cents over the average of 54.6 cents for the Negroes alone. But where both whites and Negroes were employed in the same occupations there was little or no difference in their basic rates of pay. The average hourly earnings for common labor are illustrative of this fact. In Eastern districts Negro common labor averaged 40.9 cents an hour, and whites 41.9 cents. In the Pittsburgh region Negroes averaged 47.7 cents an hour, and whites 47.2 cents. In the Great Lakes and Middle West region Negroes averaged 46.0 cents an hour, and whites averaged 46.7 cents. The wage data for skilled and semiskilled workers revealed a similar situation.⁵¹

Public prejudice, moreover, keeps Negroes out of many occupations in which there is close contact between employees and customers. These handicaps manifest themselves in unfavorable wage standards which in no sense provide the requisites of health, decency, and comfort that every human being is supposed to enjoy in a democratic community.

Statistics of earnings reveal vividly the unsatisfactory position of the Negro. Even for white-collar and skilled urban Negro workers the situation is a discouraging one. A survey made by the office of the Adviser on Negro Affairs in the United States Department of the Interior revealed some significant facts. Of 213,983 urban workers in the white-collar and skilled classes in eighty-five cities in various sections of the United States in 1936, 22 per cent earned on an average less than \$5.00 a week, 63.2 per cent under \$25, and only 1.4 per cent \$50 or above. Less than \$5.00 a week was earned by 15.9 per cent of the males and 33.8 per cent of the females;

51. Edward K. Frazier, "Earnings of Negroes in the Iron and Steel Industry," *Monthly Labor Review*, vol. 44, March, 1937, pp. 564-77.

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and less than \$25 a week was earned by 58.9 per cent of the males and 71.6 per cent of the females. Table 45 gives a more detailed picture of the situation.

TABLE 45
PERCENTAGE DISTRIBUTION OF WHITE-COLLAR AND SKILLED
URBAN NEGRO WORKERS BY AVERAGE WEEKLY EARNINGS
DURING 1936, ACCORDING TO SEX AND OCCUPATIONAL
CLASS

Average Weekly Earnings During 1936	Both Sexes			Males			Females		
	Total	White- Collar	Skilled	Total	White- Collar	Skilled	Total	White- Collar	Skilled
United States	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Less than \$5	22.0	20.3	23.9	15.9	12.3	18.8	33.8	30.3	41.6
\$5 to \$9	7.6	7.3	8.0	5.9	5.5	6.2	11.0	9.5	14.4
\$10 to \$14	12.7	11.1	14.4	13.2	10.1	15.6	11.7	12.4	10.0
\$15 to \$19	13.1	11.6	14.8	14.7	11.7	17.0	10.0	11.4	6.9
\$20 to \$24	7.8	7.5	8.1	9.2	8.5	9.7	5.1	6.3	2.5
\$25 to \$29	5.1	5.0	5.2	6.3	6.2	6.4	2.8	3.6	1.5
\$30 to \$34	3.2	2.8	3.7	4.1	3.5	4.7	1.6	2.0	0.1
\$35 to \$39	2.1	2.3	2.0	2.7	3.0	2.5	1.0	1.3	0.1
\$40 to \$44	2.3	3.6	1.0	3.2	5.7	1.2	0.6	0.9	0.1
\$45 to \$49	0.8	1.0	0.4	1.0	1.6	0.6	0.3	0.5	0.1
\$50 to \$74	1.0	1.4	0.5	1.2	1.9	0.6	0.6	0.8	0.2
\$75 to \$99	0.3	0.4	0.2	0.3	0.5	0.2	0.2	0.2	0.2
\$100 and over	0.1	0.2	a	0.1	0.3	a	a	a	a
On account and commission	10.8	12.8	8.5	10.3	15.1	6.4	11.7	9.9	15.8
Not given	11.1	12.7	9.3	11.9	14.2	10.1	9.6	10.9	6.6

^a Less than 0.1 per cent.

SOURCE: U. S. Department of the Interior, Adviser on Negro Affairs, *The Urban Negro Worker in the United States, 1925-1936* (1938), vol. i, p. 115.

The unskilled Negro receives notoriously low pay. Take, for example, his position in the independent tobacco stemmeries in North Carolina and Virginia, in which his racial group comprises almost the entire working force. Average hourly earnings in September, 1935, were only 16 cents, and the average weekly earnings only \$6.92. Additional evidence could be presented to show that this is a typical case and to prove that the unskilled Negro worker is in general the lowest paid worker in the country.

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When we look at the Negro's family income, the situation is similarly unfavorable. Data collected by the United States Bureau of Labor Statistics for 1935-1936 showed that fully 90 per cent of the southern Negro nonfarm, nonrelief families and at least 75 per cent of the northern nonfarm, nonrelief families had annual incomes of less than \$1250. Studies of the income of Negro wage-earning families in Richmond, Birmingham, and New Orleans showed that the average income of the chief wage earner was between \$700 and \$740, and the earnings of the entire family, which averaged approximately four persons, ranged between \$804 and \$876.⁵² The Negro tenant farmer in the South fares even worse; his average annual gross family income, which includes cash and family living, ranges from \$400 to \$600 a year. Four-fifths of the Negro farmers are tenants.

A comparison of the family earnings of Negroes with whites reveals great discrepancies. In Richmond in 1933-1936 the median family income was \$858 for colored wage earners and clerical workers as compared to a median of \$1494 for whites. Similar differences prevailed in Birmingham and New Orleans. In each city, moreover, the family earnings constituted almost the entire source of income.⁵³ Nor is the situation markedly different in the North. In New York City the average income earned by the poorer half of the colored families in 1937-1938 was less than 50 per cent of that earned by the poorer half of the whites.⁵⁴ Such differentials exist in every industry. In iron and steel, in 1937, the average hourly earnings of white males were 69.5 cents, as compared to only 54.6 cents for Negro males.⁵⁵ It should be remembered, of course, that these wage and income differentials are in most cases not for comparable or similar jobs and occupations.

THE NEGRO AND UNEMPLOYMENT. Colored laborers are quite generally

52. "Money Disbursements of Families of Negro Wage Earners and Clerical Workers in Richmond, Birmingham, and New Orleans," *Monthly Labor Review*, vol. 44, April, 1937, p. 1062.

53. *Ibid.*, p. 1061.

54. "The Negro's Handicap as a Wage Earner in New York State," *Monthly Labor Review*, vol. 46, June, 1938, p. 377.

55. "Earnings of Negroes in the Iron and Steel Industry," *Monthly Labor Review*, vol. 44, March, 1937, p. 566.

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among the first to be laid off when industry and business experience a slump. During the depression of the 1930's layoffs invariably operated more severely against colored people than against whites. In 1932 and 1933 Negroes were reported to have formed from 40 to 50 per cent of the total unemployed in Chicago, Cleveland, and St. Louis. In Birmingham 75 per cent of all Negro workers were unemployed.⁵⁶ Among the applicants for work registered with the United States Employment Service during the period July, 1936, to March, 1937, unemployment was more severe among colored workers than among whites, and the percentage of colored males and females in groups having longer periods of unemployment was generally much greater than for whites.⁵⁷ The Unemployment Census of 1937 showed that in the population group fifteen to seventy-four years of age approximately 19 per cent of white wage earners were unemployed, as against more than 28 per cent of Negro workers.⁵⁸

Relief figures for the Great Depression give convincing evidence that the Negro is soon cast upon public and private charity when unemployment occurs. In a survey of forty-eight cities in 1932-1933 it was revealed that the percentage of Negroes in the total family units receiving relief was as high as 67.1 in Atlantic City, 44.3 in Baltimore, 64.8 in Birmingham, 41.0 in Cincinnati, 50.0 in Columbus, 58.6 in New Orleans, 33.3 in St. Louis, 45.5 in Philadelphia, 70.6 in Washington, D.C., and 60.0 in Winston-Salem, N.C.⁵⁹ Private agencies reported that Negro families receiving relief constituted from two to four times as great a number as other racial groups. In the majority of communities Negroes suffer from racial discrimination in the distribution of work relief, receive lower wages, and get fewer days of work than do whites. In many instances, moreover, such as in checkrooms and restaurants, white girls have been substituted for colored male employees.

THE EFFECTS OF THE NEGRO'S UNFAVORABLE ECONOMIC STATUS. It can

56. National Urban League, "The Forgotten Tenth: An Analysis of Unemployment Among Negroes in the United States and Its Social Costs," *Color Line Series*, May, 1933, pp. 13-4.

57. "Placement of Colored Workers by the U. S. Employment Service," *Monthly Labor Review*, vol. 46, April, 1938, p. 894.

58. National Urban League, *op. cit.*, pp. 22-3.

59. *Statistical Abstract of the United States* (1937), pp. 54-5.

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scarcely be the part of social wisdom for a democratic country to accept with complacency inequitable discrimination in the matter of wages, hours, and conditions of employment against a large minority racial group. Assigned to the most menial and disagreeable types of jobs, paid the lowest possible wages with reliance upon tips from customers wherever possible, employed under unfavorable conditions of labor, promptly thrown on the labor market or public and private charity when depression comes, shut out from the higher occupations by lack of education and training or by public prejudice, and discriminated against at every turn in public and private employment, the Negro finds himself frequently in a precarious situation economically and socially. Such a situation is not conducive either to the economic efficiency which employers demand or to the patriotism which the nation expects, to say nothing of the resultant burden of relief that society must bear.

Low income and public acceptance of residential segregation restrict Negroes in the United States to certain districts in our metropolitan centers as well as in smaller communities. This often causes a shortage of housing for colored people, increases rents beyond reasonable limits and frequently above those paid by whites for similar accommodations, and leads to a congestion that breeds vice, delinquency, crime, and disease. Great numbers of colored families are obliged to occupy dwellings not fit for human habitation. Low earnings and bad housing are often the cause of community bitterness between white and colored people.

The inevitable consequence of all this is a heavy tax burden borne by the entire population. Divorced from race prejudice and viewed with objectivity, it is a shortsighted policy to disregard the adverse circumstances of the Negro; the solution of the many social problems which issue from such conditions will not come through indifference born of the prejudiced conception that the colored race desires to live in no better circumstances and deserves no better treatment. The Negro's favorable response to greater educational privileges, wider economic opportunity, and more equitable social consideration is an established fact.

THE EFFICIENCY OF NEGRO LABOR. Thus far in our discussion we have purposely avoided the controversial question as to whether the Negro's lack of economic opportunity and his slow social progress are the result

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of his alleged native inability. There is a prevalent conception that Negroes are less capable and less efficient than white workers and that this difference is the result of a difference in the natural ability of the two races. It is not within our province to examine the biological aspects of this controverted issue. Our interest is in the evidence of industrial experience. The direct evidence assembled both in support and in refutation of the belief that the Negro is naturally less efficient than the white worker is not convincing; therefore, dogmatic judgment is not possible. In the first place, the measurement of individual differences has not yet become an exact science; certainly the same can be said with regard to the measurement of racial differences, in so far as these pertain to native abilities. Secondly, the findings of modern psychology suggest that group mores and social environment may exercise a determining influence on the economic, political, and social advance of individuals and societies.

Reports of employers in the North and the West, where there is less race prejudice against the Negro than in the South, tend to weaken the charge of inefficiency made so frequently against him. Special studies have uncovered evidence, based upon industrial experience, that is distinctly favorable to colored workers.⁶⁰ Although some inquiries have revealed results unfavorable to them, in general the reports have been to their credit. It must be remembered that statistical evidence does not completely reveal the true situation. First, the Negro is not offered the same inducement to increase his efficiency as is his white competitor. In the South, especially, where Negroes live and work in the largest numbers, conditions of employment for them are not such as to encourage their best efforts. Even in other sections of the country they find relatively little inducement in the form of higher positions, promotion to better jobs, and adequate pay. Considerable industrial experience supports the belief that Negroes are as efficient as any other racial group when accorded the same training privileges, opportunities for advancement, decent wages, reasonable hours, and attractive conditions of employment.⁶¹ An examination of the data in this regard led to the conclusion that, if the

60. R. C. Weaver, "The Efficiency of Negro Labor," *American Federationist*, vol. 41, December, 1934, pp. 1327-31.

61. *Ibid.*, p. 1331.

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Negro is treated in a more just and sympathetic manner, he is as efficient as the white worker.⁶²

Many employers believe that the Negro worker's regularity of attendance is much less satisfactory than his production performance. Partly responsible for this is the fact that Negroes usually are hired to do unpleasant work, frequently casual labor, and thus are generally only marginal laborers with a relatively slight permanent hold on their jobs. Moreover, because as a group Negroes find advancement based on ability very difficult to achieve, they are likely to seek new forms of employment or new jobs in an attempt to improve their economic situation. In some measure the irregularity of Negroes is attributable to the fact that in recent decades they have moved in large numbers from agriculture to manufacturing and mechanical industries. Rural workers find it difficult to adapt themselves to the discipline, routine, and regularity of city industries. Increased industrial experience should correct the Negro's shortcomings in this regard.⁶³

THE NEGRO AND UNIONISM. The Negro's unfavorable economic position probably is the result of his lack of organized power. The absence of unionism among most groups of colored workers is attributable to a number of factors. First, the labor movement has not until recently made much progress among unskilled workers. The American trade-union movement has been predominantly one of skilled workers whose aristocratic craft consciousness has made them indifferent to the needs and problems of unskilled workers. As we shall see presently, the situation in this respect is changing rapidly. A second reason for the absence of unionism among Negroes has been the general prejudice of white unionists against the Negro, which has caused them to deny him admission even when he could qualify as to skill. A third factor has been the Negro worker's occupational instability, especially his employment in casual work. Occupational stability is an indispensable condition of strong unionism; it is difficult to be interested in permanent organization in an occupation which provides only temporary employment. A final reason is the Negro's lack of industrial experience and his ignorance of the advantages of unionism. These deficiencies have not only made him

62. *Ibid.*, pp. 1330-1.

63. *Ibid.*

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reluctant to join a union but have made him an easy prey for employers who have not hesitated to use him as a strike breaker.

Admission to established unions is still extremely difficult for the colored worker. For example, a recent study showed that the brewery and printing industries have practically no Negroes because of the high degree of unionization in those industries and the fact that unions exclude members of the colored race. The same situation was found in the food industries, in which public prejudice against colored employees was added to arbitrary exclusion from union membership as a cause of the absence of colored workers.⁶⁴ The Congress of Industrial Organizations (C.I.O.), which came into existence largely as a champion of the cause of the unorganized, unskilled workers in mass production industries, has manifested a deep interest in the Negro worker. Already colored workers have received considerable benefit from membership in such unions as the United Mine Workers of America, the Amalgamated Clothing Workers of America, the Longshoremens and Warehousemens Union, the United Automobile Workers of America, and the Amalgamated Association of Iron, Steel and Tin Workers.⁶⁵ Opposition to the admission of Negroes has greatly diminished, and definite efforts are being extended by these unions to include them. The reason for this is, of course, not an unselfish one, since so long as colored workers in any industry are not organized the standards of wages, hours, and conditions inevitably are threatened. The very nature of industrial unions, which include all workers in a given industry, is such as to make possible the entrance of Negroes on a footing of equality with white workers. It is evident that the Negro is not yet sufficiently union-conscious to assure his ready alliance with the labor movement, but his attitude is changing under the influence of organizing committees in such industries as iron and steel, automobile manufacturing, and packing. The progress made by the Brotherhood of Sleeping Car Porters since 1925 has been a source of encouragement to other colored workers.

64. "Negro Workers in Allegheny County Industries, 1934," *Monthly Labor Review*, vol. 41, July, 1935, p. 74.

65. T. A. Hill, "The Negro and the C.I.O.," *Opportunity*, vol. 15, August, 1937, pp. 243-4.

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THE ROAD AHEAD. The future of the Negro worker is problematical. There has been definite improvement in his economic and social status, and there is reason to believe that even greater improvement is likely in the future. The rapidity of his progress will depend upon many factors. Much depends upon the Negroes themselves and those of the race who have the capacity and determination to assist themselves and other Negroes. The Negro himself can do most to demonstrate the invalidity of the charge of incompetence and inefficiency which is so commonly made against him. The expansion of educational and training facilities will do considerable to equip him for the performance of more skillful tasks and the assumption of heavier responsibilities in industry and business. Cultivation of the Negro's interest in the labor movement will contribute greatly to his protection through collective bargaining. He will be helped greatly if he is taught the risk he runs and the injury he does to his race by acting as a strikebreaker. Increased political solidarity of the colored people will help them to secure a reasonable opportunity in public service. Whatever can be done to lessen public prejudice against the colored race will pave the way for general improvement. In the future, as in the past, the Negro will be an important factor in the production of wealth in this country.

F. PRISON LABOR

GENERAL NATURE OF THE PROBLEM. Free wage earners in certain industries in the United States frequently have had to face competition with the inmates of penal institutions whose products enter commodity markets and give rise to unfair competition. Often the situation has been so acute for particular groups of workers and employers that trade unions and employers' associations have protested vigorously. Obviously, the beneficial results of protective labor legislation and the advantages of labor organization can easily be nullified if penal institutions are permitted to produce commodities for the open market. In its broadest aspects, the problem is not one of prohibiting the employment of prisoners but rather of determining in what manner the goods produced by them can best be disposed of with the least injury to free laborers.

Presently we shall examine the extent of competition in the open

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market that is offered by prison-made goods. The encouraging feature of the situation can be suggested here, namely, that during the past half-century there has been a steady decrease in the proportion of prison inmates employed at so-called "productive" labor. The decline in recent years has been very significant. Special studies made by the Bureau of Labor Statistics of the United States Department of Labor showed that in the prisons investigated the proportion of prisoners productively employed dropped from 70.5 per cent in 1923 to 56.9 per cent in 1936, or at the rate of 1.5 per cent a year. In the four years between 1932 and 1936 the proportion fell from 56.9 per cent to 44.6 per cent, or at the rate of 3.1 per cent a year. Taking the period 1923 to 1936 as a whole, it is notable that while the prison population in the institutions studied nearly doubled, the number of prisoners assigned to productive labor increased only 21.7 per cent. The value of the goods produced under all systems in the same period decreased from \$21,750,622 to \$9,438,347, or 43.4 per cent.⁶⁶

This sample study indicates that the total volume of goods produced by prisoners is small in comparison with the total output of all free laborers. For particular groups of workers, however, the problem of competition developing from the sale of prison-made goods may be very serious. Products made by convict labor are often sold under false labels in the open market. The cost of prison labor is very low, so that companies exploiting it are likely to reap large profits. Convict laborers frequently are worked in the most unhealthful environment, given poor food, and compelled to labor for excessive hours and perform tasks that free workers would not do.⁶⁷

SYSTEMS OF PRISON LABOR. Individuals in penal institutions have been employed under six systems, known as the lease, contract, piece-price, state-account, state-use, and public-works-and-ways systems.

Under the *lease system* prisoners are farmed out to private contractors. The state enters into a contract with the lessee, who agrees to employ the prisoners and pay the state a specified amount per day. In addition, the lessee usually feeds, clothes, houses, and guards the prisoners during the

66. "Prison Labor in 1936," *Monthly Labor Review*, vol. 47, August, 1938, pp. 251, 255.

67. Kate Richards O'Hare, *The Nation*, vol. 120, April 8, 1925, pp. 377, 378.

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term of employment. The state reserves the right to formulate rules governing the care of prisoners and inspect both their housing accommodations and places of employment. Such a system makes possible ruthless exploitation, and there has been general opposition to it. The consequence is that this scheme of prison labor has entirely disappeared from both state and federal prisons.⁶⁸ Special investigations by the United States Bureau of Labor Statistics in 1923, 1932, and 1936 uncovered no prisoners working under the lease system.

Under the *contract system* the prisoners are let out to private contractors, but the work is performed in or near the prison under state supervision. A definite amount of compensation per day is stipulated in the contract. The state assumes no risks of financial loss since the contractor not only provides his own raw materials but generally furnishes his own foremen, inspectors, machinery, and tools. The particular state institution involved, however, is responsible for feeding, housing, clothing, and guarding the prisoners, and in some instances supervises their work. This plan makes it possible to prevent many of the abuses that invariably developed under the lease system, but it does not completely eliminate exploitation.

The *piece-price system* is quite similar to the contract system, the essential difference being that under the piece-price system the contractor, instead of paying a stated amount per day, enters into a contract with the institution for the labor of prisoners at an agreed price per unit of output. Prisoners are still farmed out under this scheme, but the state superintends the work and determines the speed of production. The contractor usually furnishes the machinery, tools, and equipment, and is responsible for the supervision and inspection of the prisoners while working.

The *state-account system*, sometimes known as the public-account system, under which the state manufactures for its own account and obtains all the profit accruing therefrom, has met with considerable favor. Under this system, the institution not only develops its own productive enterprises but disposes of the products on the general market and in competition with the commodities produced by free labor. The institution, functioning for the state, thus becomes an entrepreneur assuming the risks of

68. "Prison Labor in 1936," *op. cit.* p. 251.

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the enterprise, buying raw materials, machinery, and equipment and selling its product in a competitive market. Sometimes a certain proportion of the product is retained for use in the prison. For example, in the manufacture of shirts some of the output is used by the inmates of the prison and the balance is disposed of in the open market at competitive prices. Sometimes the commodities are sold to individual customers, but not infrequently they are disposed of to a contractor who agrees to take the entire output. In this case the contractor has nothing to do with employment policies and conditions, since the institution is solely responsible for housing, feeding, clothing, and guarding the prisoners and it alone directs and supervises their work.

As the name indicates, under the *state-use system*, the state itself uses prison labor in production. The use or sale of the goods produced is limited to the institutions in which they are made or to other state and federal institutions. The basic purpose of this system is to avoid marketing prison-made goods in direct competition with the products of free labor. Under this plan, the various state institutions also house, feed, clothe, guard, direct, and supervise the prisoners.

Under the *public-works-and-ways system* prison labor is not applied to the production of commodities for sale in the open market but is used in the construction and repair of prison buildings, public parks, roads, breakwaters, bridges, and in such projects as flood control, reforestation, and the clearing of land. This system is almost exactly like the state-use system, the difference being in the nature of the output. Consumption goods are not produced under this plan.

THE RELATIVE IMPORTANCE OF THE DIFFERENT SYSTEMS. Largely in response to the demands of organized labor and the manufacturers directly concerned with the severe competition furnished by prison-made goods, there has been a definite increase in the application of those systems of prison labor that keep prison-made goods out of the open market where they compete with the products of free labor. In 1923 the number of prisoners employed under the state-use and public-works-and-ways systems constituted only 29.2 per cent of the total engaged in productive processes in our prisons, but in 1936 they constituted 60.5 per cent. The relative importance of the state-account system remained about the same

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in this period, but the proportion under the contract system decreased from 33.4 per cent of the total to 6.1 per cent. As already indicated, no prisoners were employed under the lease system in the fourteen jurisdictions covered in the survey to which reference has been made. Table 46 indicates the trend in prison labor systems since 1885.⁶⁹

TABLE 46
PER CENT OF PRISONERS EMPLOYED AT PRODUCTIVE LABOR
UNDER DIFFERENT SYSTEMS IN SPECIFIED YEARS

System	All State and Federal Institutions				State Institutions in 13 States and Institutions in the District of Columbia		
	1885	1895	1905	1914	1923	1932	1936
All systems	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State-use .....	....	....	18.0	22.0	21.2	24.7	38.8
Public-works-and-ways	26.0 ^a	33.0 ^a	8.0	11.0	8.0	14.4	21.7
State-account .....	....	....	21.0	31.0	22.9	20.1	21.5
Piece-price	8.0	14.0	8.0	6.0	14.5	21.1	11.9
Contract	40.0	34.0	36.0	26.0	33.4	19.7	6.1
Lease	26.0	19.0	9.0	4.0	....	....	....
Per cent prisoners employed at productive labor formed of all prisoners	75.0	72.0	65.0	^b	70.5	56.9	44.6

^a No separation made of state-account, state-use, and public-works-and-ways systems in this year.

^b Not reported.

SOURCE: "Prison Labor in 1936," *Monthly Labor Review*, vol. 47, August, 1938, p. 255.

THE COMMODITIES PRODUCED. The diversity of goods and services provided by productive labor in our prisons may be seen from the fact that something like five hundred different varieties of goods and services are on the list. Such manufactured goods as brooms, brushes and mops, clothing, furniture and furnishings, metal products, printing and binding, textiles and textile products account for almost one-half of the total. The manufacture of stamped and enameled automobile license plates is growing in importance because this is regarded as a logical state-use industry. Worth noting is the fact that the goods and services which showed a

69. "Prison Labor in 1936," *op. cit.*, p. 255.

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marked tendency to increased production are those which are disposed of for state use or under public works and ways. Farm products show a decline, but extraordinary increases are registered in construction and printing and binding.

As already suggested, the value of the goods produced under all prison-labor systems manifests a decline. For all commodities the value of goods produced in the institutions studied was approximately 22 million dollars in 1923, 15 million dollars in 1932, and only 9.5 million dollars in 1936. Both the total volume and the total value for the United States as a whole are much greater than these figures suggest. But more significant than the total value of prison-made goods is the striking fact that the total output, as indicated by the most recent study, decreased 77.4 per cent in the period from 1923 to 1936.⁷⁰ An important factor in this decline was the coming into effect, in 1934, of the Hawes-Cooper Act of 1929, which divested prison-made goods of their interstate character and thus made them subject to restrictive state laws. This act hastened considerably the trend toward the state-use and public-works-and-ways systems. When the contract and piece-price systems flourished, manufactured articles constituted by far the largest part of prison output. By 1936, however, the principal manufactures, in the fourteen jurisdictions studied, constituted only 43 per cent of the total output as compared to 82.5 per cent in 1923. There was a pronounced decrease in the manufacture of such articles as brooms, hosiery, pants, shoes, furniture, and castings, which formerly were produced largely under the contract system.⁷¹

Frequently the solution of an old problem gives rise to a new one. This is true of the open market sale of prison-made goods. In an effort to protect free workers and manufacturers from what is by every standard unfair competition, productive activities in penal institutions are decreasing rapidly. Prison authorities are faced with the increasingly grave problem of providing useful, productive work for the inmates and thus preventing idleness and its demoralizing effects. In an attempt to meet the new situation, the currently popular scheme of spreading work has been adopted. The result is a conspicuous decrease in the value of goods produced per inmate. In 1923 the average production per inmate was \$1847,

70. "Prison Labor in 1936," *op. cit.*, pp. 256-8.

71. *Ibid.*, p. 253.

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but in 1936 it was only \$658, a decrease of 64 per cent. Lowered unit output per man has not been the only result. The average weekly working time per person also declined. In 1932, for example, the largest group of prisoners was working 48 hours a week, while in 1936 the largest group was working only 44 hours.⁷² As productive work decreases, the many other tasks to which prisoners are normally assigned, such as cleaning yards and buildings and performing kitchen duty, must be more widely distributed. These ordinary duties consume about one-fourth of the working time of prisoners. It may be expected, therefore, that idleness will increase and working hours decrease considerably in the future as a consequence of the reduction in the amount of productive employment.

THE CASE AGAINST THE OPEN-MARKET SALE OF PRISON-MADE GOODS. It is natural that manufacturers and free workers most directly affected should object seriously to the sale of prison-made goods in the open market. Under such conditions competition is likely to be very unequal. Prison contractors get their labor cheaply. This enables them to compete unfairly with employers who must pay the higher rates of wages established through collective bargaining. When employers of free labor cannot sell their products, the employment opportunities for free workers are necessarily reduced. This situation in turn diminishes the purchasing power of free wage earners, with the result that other employers who produce consumers' goods are adversely affected. Although the trend is toward a shorter work week in penal institutions, hours of labor in many of them are still excessively long, running as high as sixty hours a week. The difference in the length of the work week between prison enterprises and those on the outside gives the former an advantage in open-market competition. In some instances, moreover, contractors employing prison labor have had shop room, power, heat, and light free or at a nominal cost.⁷³

One of the most general objections to the sale of prison-made goods is that the state itself under the public-account system may produce commodities and sell them under conditions of the most ruinous competition. Prison workshops operate regardless of the price level, since pris-

72. *Ibid.*, pp. 253, 258.

73. U. S. Department of Labor, "Convict Labor in 1923," *Bulletin* no. 372, pp. 15, 107.

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oners must be kept at work. It is not the practice of most states to give any kind of remuneration to employed prisoners, and even where they do the amount ranges from about ten to twenty cents a day. Only in rare instances does the remuneration approach anything resembling what might be called a wage. Because it needs to pay little or no attention to costs of production and price levels, the state as a competitor in commodity markets is able to undersell private manufacturers.

The disastrous competition provided by prison-made goods in open market has stimulated an organized movement against the practice. Formerly the leasing system came in for considerable condemnation, but, as we have seen, this system has disappeared, largely because it was incurably brutal. Free laborers and manufacturers continue to protest against the contract, piece-price, and state-account systems because these depend upon the open market for the disposal of their output. Although organized labor has endorsed the state-use system, certain states have legislation that limits this type of employment. Such legislation rests upon objections raised by groups of manufacturers who are opposed to any public enterprise that takes the state into industry and business, especially when the enterprise produces commodities which they themselves might otherwise sell to the state at attractive prices.

There can be no question with regard to the success of the movement to eliminate competition between prison and private industry. The movement has gathered momentum ever since 1890, when the efforts to prevent the sale of prison products on the open market first claimed organized attention. These efforts have resulted in considerable state and federal legislation, the details of which will be examined in a later chapter.⁷⁴ Not fewer than thirty-three states have laws regulating the use of prison labor and the manufacture of goods in prisons.

In addition, extremely important federal legislation has been enacted in recent years. In 1929, as we have seen, the Hawes-Cooper Act was passed and became effective in 1934. This law divested prison-made goods of their interstate character and enabled states to regulate the sale or distribution of such goods within their own borders, even though such goods were produced in penal systems of other states. Under the terms of

74. Chapter 30.

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the Ashurst-Sumner Act of 1935, federal aid has been given in the enforcement of any state law by making it a federal offense if prison-made goods are transported into a state in violation of its laws. Even when a state has no restrictive legislation concerning prison-made goods, all such commodities transported in interstate commerce must be labeled to show the place of origin. The Prison Industries Reorganization Administration has taken an active part in the campaign to drive prison-made goods from the open market. This phase of the competitive labor struggle is, therefore, rapidly diminishing and may soon disappear altogether.

Questions for Class Discussion

D. THE AGING WORKER

1. Is there convincing evidence that discrimination against middle-aged workers in employment preference is a serious national problem?
2. What are the economic and social consequences of widespread discrimination against aging employees?
3. Why are employers reluctant to employ men past forty? Do employers also tend to lay off workers in this age group?
4. Are the conditions responsible for the employment problems of aging workers largely within control of employers?
5. What responsibilities has the individual worker in preventing unemployment and unemployment in middle age?
6. What should be the general provisions of a social program designed to solve the problem of discrimination against aging employees?

E. NEGRO LABOR

7. How important a factor is the Negro in the economic life of the United States? Is his relative economic importance declining?
8. Is the restricted occupational distribution of the Negro an evidence of his lack of native ability or of prejudice, discrimination, and unequal educational opportunity?
9. How do the income and wage levels among Negro workers compare with those for white workers? How do you explain the disparity?
10. Why is unemployment relatively greater among colored workers than among whites?
11. What are the most serious effects of the Negro's unfavorable economic position?

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12. Is there reliable evidence that the Negro worker is just as efficient as the white worker under identical circumstances?
13. In what way, if at all, have white workers been responsible for the retarded economic position of the Negro?
14. What would you regard as the most promising methods and agencies for the alleviation of the Negro's economic position?

F. PRISON LABOR

15. What is the nature of the convict labor problem?
16. What are the characteristics of the various systems of prison labor?
17. What is the relative importance of the various prison labor systems? Which do you think are the most desirable?
18. Do the arguments against the sale of prison-made goods in the open market impress you as valid?
19. May not the legal prohibition of the open-market sale of prison-made goods give rise to more serious problems than it is designed to solve?

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PART IV

THE WORKER'S APPROACHES TO A SOLUTION

Chapter 17

THEORY AND DEVELOPMENT OF THE AMERICAN LABOR MOVEMENT

¶ **LABOR PROBLEMS, INDUSTRIAL UNREST, AND COLLECTIVE BARGAINING.** The existence of labor problems within our economic structure, as reviewed in previous pages of this book, is the *raison d'être* of industrial unrest so current throughout society. We have seen how the threats of unemployment, ill health, old age, and the inability to maintain a respectable standard of living for himself and his family often encourage the worker to seek some means of strengthening his bargaining power so that in concert with other workers a united front can be presented before those upon whom employment and income depend. These uncertainties give rise to numerous labor disputes which often result in industrial warfare and cause stupendous economic and social losses to the employer, employee, and the public at large. The inevitable consequences of such strife are a lower national and per capita income, lower standards of living, increased distrust, and widespread feelings of discontent.

The modern wage earner's most immediate and practicable approach to a solution of his industrial problems is found in the substitution of group action for individual effort. Thus labor organizations are formed for the purpose of supplanting the individual labor bargain by the collective bargain. The chapters of Part IV are devoted to a consideration of the theory, techniques, and programs of these labor unions.

MEANING AND THEORY OF COLLECTIVE BARGAINING. Collective bargaining may be defined as a process of discussion and negotiation between two parties of industry, each of whom may be acting as a representative of a group of persons in an attempt to establish the terms of the labor contract.

The Worker's Approaches to a Solution

It may take place (a) between a single employer and representatives of a group of employees, (b) between a local group of employers and a number of groups of employees, (c) between a number of sectional groups of employers and all employees of a single craft or trade, or (d) between a group of employers and all employees within an industry.

Thus collective bargaining is the joint determination of the terms of employment by an organization or federation of workers and an employer, or an association of employers, acting through their duly authorized representatives. Although under modern industrialism the collective bargain is as old as the individual bargain, it was the failure of the latter to safeguard the interests of the workers that led to the extension of collective action. Collective bargaining is not confined to trade unions. Long before the modern trade union became an established institution, informal deputations of workers endeavored to improve their conditions of employment by group action, and today shop committees, works councils, and so-called "company unions" and "employee associations" provide a form of collective bargaining that is frequently independent of trade unionism. Collective bargaining, moreover, is carried on by associations of agriculturists, physicians, dentists, manufacturers, and other groups which in one way or another seek to standardize the price of services and products. Trade unions, nevertheless, are the most powerful exponents of true collective bargaining in the industrial world.

Unionism and collective bargaining cannot be evaluated properly without weighing carefully the relative advantages and disadvantages of the individual bargain. Defense of individual bargaining rests usually on what are commonly stated to be the disadvantages of the collective bargain in relation to freedom of contract. Collective bargaining implies a limitation of freedom to negotiate individual contracts and agreements. Such limitation is obnoxious to the spirit of individualism, which protests any outside interference with the economic freedom of the individual. Membership in an employers' association, a labor organization, or any other institution implies a willingness to subordinate the will of particular individuals to the collective will. Collective bargaining presupposes the acceptance of agreements and contracts that are determined collectively through the agents of the group. This is manifestly a sur-

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render of certain individual rights and privileges and is not infrequently condemned as an infringement upon the "natural right" of the individual to unrestricted economic activity. Individual bargaining is commended as promoting and collective bargaining as destroying both the freedom of the worker to sell his labor under any conditions he deems acceptable and the freedom of the employer to buy labor on the cheapest market and to run his business as he sees fit.

In bargaining individually with the employer, the worker is at a serious disadvantage because of differences in economic status, bargaining knowledge and skill, the nature of the labor supply, and other conditions. The employer usually is not forced to take the labor of any particular worker, since substitution is easy except in the case of the most skilled groups; even in skilled trades, machine processes tend to increase the possibility of substitution. The worker enjoys no such advantage, since he must usually accept the particular job offered him or else face the alternative of charity or starvation. The employer can afford to wait for a worker who will accept the conditions offered; the worker cannot wait for the employer who will hire him on attractive terms. Labor is perishable; a day's labor lost is not regainable. Refusal of a job may mean to the worker serious danger to the health of those dependent upon him, whereas the employer stands to lose in profit only. The successful employer has a reserve of property and wealth that furnish a basis for credit; the worker possesses no such financial or credit reserve. To the worker, unemployment means the accumulation of debt or the acceptance of charity. The employers' superior knowledge of labor conditions and commodity markets, coupled with their greater experience and skill in making contracts, gives them the advantage in bargaining with the workers.

The opponents of collective bargaining sometimes argue that, since the owners of capital must be insured of a fair return if capital is to continue to exist and afford employment opportunities for workers, they must have a free hand to deal with labor costs in the light of current competition and market conditions. But history demonstrates and a preponderance of statistical evidence supports the observation that in the past capital has had an upper hand, and in its strategic bargaining position with labor at times has received substantially more than has been necessary, as

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compared with the returns received by labor. In his statistical study of the prewar and postwar returns to capital and labor, Professor Frederick C. Mills concludes that, especially during the postwar period in America, the profits of owners of industry were far outstripping the wages of their employees.¹

Finally, competition among workers for jobs is almost always severe on account of the labor reserve and the public's demand for cheap goods. There is practically never an equilibration of the demand for and the supply of labor. Thus there is likely to be within any group of workers an oversupply of labor, and this excess is usually greatest among those who are the weakest bargainers, namely, the unskilled. Under such conditions a progressive deterioration of the terms of employment is almost inevitable, the standard being reduced to the level commanded by the weakest bargainer of the group. The "public," anxious to protect its own interests in periods of industrial strife, gives little thought to the possibility that, in order to supply commodities at low prices, fellow citizens in industry may have to accept a wage scale that means malnutrition, poverty, and charity.

To prevent this progressive deterioration in the standards of employment and to improve the economic status of the workers, collective bargaining, which excludes the exigencies of individual circumstances in the determination of the labor contract, is introduced. Collective bargaining substitutes group action for individual action in negotiating, interpreting, and enforcing contracts and agreements. Wherever competition may arise among the workers, the cardinal principle of true collective bargaining requires uniformity of wages and conditions of work. There must be a uniform minimum of standards below which no member of the group will consent to work. The principle of standardization must be expressed in restrictive regulations that will prevent changes in the terms of the labor agreement during the specified life of the compact. These fundamental principles of collective bargaining can be maintained most effectively by organization of the workers. True collective bargaining can exist only when both employers and employees are of equal strength and are organized effectively in independent associations for the nego-

1. Frederick C. Mills, *Economic Tendencies in the United States*.

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tiation of trade agreements. This is fundamental to uniformity of requirements, standardization of conditions, equitable interpretation of agreements, and protection of both groups of interests. For the workers, collective bargaining finds its agency in the trade union; for the employers, the employers' association is the logical medium.

THE ORIGIN OF TRADE UNIONISM. The origin of unionism is a controversial question. It is often contended that the beginning of labor organizations is to be found in the medieval guilds, but authoritative historians of the labor movement discredit the attempt to draw an analogy between the modern trade unions and these early associations. Although they recognize that trade unionism in its historical aspects is not an isolated phenomenon divorced entirely from the evolution of associations, these historians are of the belief that the forms of association that existed prior to the close of the seventeenth century were not very similar to the modern trade union and had little, if any, influence upon the rise and development of what is generally known as the "labor movement."

In support of this position it is pointed out that the medieval guilds were associations of business enterprisers who assembled raw materials, owned the instruments of production, controlled and directed industry, and sold the product; whereas the modern trade union is essentially an association of wage earners who have no title to the machinery of production and distribution but who sell their labor power to the employer for a stipulated sum.² Between the fourteenth and the eighteenth centuries sporadic associations of journeymen exercised many of the functions of modern labor organizations, but they were so ephemeral in character that they can hardly be described as the counterpart of the latter organizations. So indefinite and uncertain was the existence of these experiments in association down to the close of the eighteenth century that trade unionism is commonly described as a product of the nineteenth century. Most responsible for the definite and permanent organization of the workers were the conditions incident to the Industrial Revolution, beginning about the middle of the eighteenth century, which resulted in a distinct separation of the employer and employee functions and, conse-

2. For an authoritative discussion of the origin of unionism see Sidney and Beatrice Webb, *History of Trade Unionism*, 1920 ed., chap. i.

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quently, in a definite cleavage between the capitalist-employer and the wage-earning classes.

Unionism emerged in the United States toward the close of the eighteenth and during the early years of the nineteenth centuries. Labor organizations were found here in the seventeenth century, but these were primarily associations of workmen who, like the guildsmen of medieval England, exercised the functions of laborer, master, and merchant. Limitation of the number of legal craftsmen, regulation of the quality of the product, and the determination and maintenance of the customary price were the purposes of these organizations.

THE DEVELOPMENT OF UNIONISM IN THE UNITED STATES. The development of unionism in the United States falls roughly into several more or less definite periods between which there are no distinct lines of demarcation. The broad outline of development may be stated as follows:

1. The Emergence of Trade Unionism, 1792-1827
2. Utopianism and Political Experiments, 1827-1850
3. Reorganization and the Beginning of Nationalization, 1850-1857
4. Revival of Trade Unionism, 1857-1866
5. Attempted Amalgamation, 1866-1881
6. The Predominance of the American Federation of Labor, 1881-1920
7. Postwar Period, Labor's Test, 1920-1935
8. Labor's Struggle for Power and the Rise of Dualism, 1936 to the present

Only a general summary of the outstanding developments in each of the periods is possible here.

1. *The Emergence of Trade Unionism, 1792-1827.* Trade unionism in the modern sense did not exist in the colonial period of American history. The quickened pace of industrial development following the Declaration of Independence in 1776 and the adoption of the Constitution in 1789 resulted in economic changes pregnant with significance for the wage earners of America. The domestic system of industry was giving way to the factory and contract system; masters and journeymen were becoming sharply differentiated; aggregations of journeymen workers arose in each craft; the commodity market was widening; new machine processes

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were breaking down rigid apprenticeship regulations; and lower wage scales and longer hours were sought by the master class. The friendly and benevolent societies of artisans and journeymen formed in the colonial period could not meet these changing conditions. About 1785, skilled groups such as the printers, shoemakers, tailors, and carpenters organized societies to resist increasing control of the local market by the new enterpriser class. During the next twenty years numerous unions appeared. These early societies were local, ephemeral, and distinctly craft organizations. Industry was organized on the craft basis; no intertrade associations existed. Unions were craft conscious, and their interests were confined to the limits of the trade.

Although much emphasis was placed on mutual and friendly benefits, such as sickness and funeral aid, there were other important activities. There was definite resistance to competition with inferior and "illegal" workmen by the enforcement of apprenticeship rules. A strong defense was made against prosecution for combination or conspiracy. Collective bargaining was emphasized. Control of wages, hours, and conditions of employment became a significant function. This phase has been well described as the "germinal" period of the American labor movement.

2. *Utopianism and Political Experiments, 1827-1850.* It was not until after the first quarter of the nineteenth century that organization of labor became a significant factor in the industrial life of the United States. The period between 1827 and 1850 is characterized by a distinct movement for intertrade associations known as trade unions, the establishment of communistic communities, and political action. The modern trade union—the association of craft unions or labor societies—originated with the "Mechanics' Union of Trade Associations" in Philadelphia in 1827. City associations and national trade unions emerged to make the structure of unionism coextensive with the widening area of competitive conditions. Intercraft organization constituted a definite step forward in the solidarity of labor. Soon workingmen's parties were formed in the cities of Philadelphia, New York, Boston, Albany, and other industrial centers. Local labor parties were formed in no less than fifteen states. The grievances of the workers were attributed primarily to the inflation of prices and the cost of living preceding the panic of 1837. Educational and polit-

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ical inequalities and imprisonment for debt were among the causes of discontent. Numerous legislative and economic reforms were incorporated in the program of workingmen's parties.

With the organization of the National Trades Union, which held its first annual convention in 1834, somewhat of a reaction against political activities appeared, although political demands did not cease. National trade unions were organized among the cordwainers, carpenters, handloom weavers, printers, comb makers, and other craftsmen. Between 1827 and 1837 such reforms were demanded as the ten-hour day, restriction of child labor, abolition of imprisonment for debt, discontinuance of competitive labor, direct election of public officials, and the abolition of sweatshops. In the decade of the thirties, unionism made steady progress, aided by high prices and fiat money. The membership of trade unions in the seaboard cities aggregated about 300,000. The growth of the trade union movement was arrested by the panic of 1837, which disrupted the financial system of the United States. Prosecuted for conspiracy and destitute of friends, labor organizations, with few exceptions, failed to survive the period of depression.

Although political action had been largely discredited as a result of the seemingly feeble attempts in the early part of this period, in the forties, the pendulum again swung to political action. The failure of trade unionism drove men to seek help through other methods, and for a decade humanitarianism, utopianism, socialism, and labor unionism predominated. Reformers and intellectuals had their innings. Albert Brisbane, Horace Greeley, Charles A. Dana, and John G. Whittier were among the leaders of the new movement for amelioration of conditions among the workers. Numerous labor councils and congresses were held and many associations of workingmen were formed following 1844. The spirit of utopianism resulted in the establishment of Brook Farm and other experiments by utopian socialists who were disciples of Charles Fourier, the French idealist. Harmony of industrial interest was taught, and the class struggle was denounced. Misery and poverty were to be abolished through communism. These later utopian schemes failed, as did the earlier community established by

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Robert Owen at New Harmony, Indiana, in the first quarter of the century.

3. *Reorganization and the Beginning of Nationalization, 1850-1857.* American workmen were not generally attracted to the utopian socialistic experiments. Immediate and practical reform measures, including demands for higher wages, shorter hours, improved factory conditions, and protective legislation, were more to the workers' liking. Even co-operation and profit-sharing plans appeared impractical. It was inevitable, therefore, that the workers should revive craft unionism and attempt to federate the different craft units into national trade unions. Markets were becoming national and, as a consequence, the area of competition was widening. The discovery of gold in California in 1848 led to industrial revival and prosperity, and rising prices meant an unwelcome increase in the cost of living. In 1850 the Typographical Union perfected a national organization, and its example was immediately followed by other unions. Special efforts were made to bring into the organizations the alien workers, whose competition was keenly felt. There was an increasing frequency in strikes, which involved almost every craft. The panic of 1857 paralyzed the industrial and business life of the nation, and in its wake came the usual serious consequences to the workers—unemployment, wage reductions, loss of union membership and financial reserves, and widespread disintegration of the labor movement.

4. *Revival of Trade Unionism, 1857-1866.* Neither industry nor trade unionism had recovered from the disastrous effects of the panic of 1857 when the North and the South entered the Civil War. The immediate effect of the conflict was to stimulate the demand for war supplies, iron, steel, and all kinds of manufactured goods. Prices advanced, prosperity returned, and industrial expansion was rapid. From productive industries, the man power of the nation was shifted rapidly into the ranks of Union and Confederate forces. The demand for labor was unprecedented, and there followed as a general consequence increased employment of women, children, immigrants, and convicts. Wages rose, but not so fast as prices, so that the workers were relatively no better

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off. Manufacturers resorted to machine methods as a substitute for manual labor. In the midst of these trying circumstances the labor movement was revived. Local unions were established, and these were integrated into national organizations.

By the end of the sixties, at least thirty-two national trade unions were in existence, the local unions of Canada becoming an integral part of the international federations. Among the prominent organizations were the National Union of Cigar Makers, the Carpenters' and Joiners' International Union, the Bricklayers' and Masons' International Union, and the Brotherhood of the Footboard—the forerunner of the Brotherhood of Locomotive Engineers.

The aims of organized labor were practical, the emphasis being placed upon higher wages, shorter hours, freedom of organization, and collective action. Strikes were numerous and successful, but money wages did not keep pace with prices. The increasing introduction of machinery and labor-saving devices had an unfavorable effect on the status of the workers at the close of the period. The influx of alien labor and the use of Negro workers, which made possible the successful breaking of strikes, tended to widen the breach between organized labor and organized capital.

5. *Attempted Amalgamation, 1866-1881.* The organization of the National Labor Union of Baltimore in 1866 and the emergence of the Noble Order of the Knights of Labor in 1869 are the outstanding developments of this period. At the end of the Civil War every important city had its trade assembly representing all the organized crafts, and the national unions were strong.

The time seemed opportune for a revival of the movement designed to consolidate all labor forces in the country, a movement which had been attempted in the second quarter of the century. An "Industrial Assembly of North America" had been held at Louisville, Kentucky, in 1864, and in 1866 the National Labor Union was formed at Baltimore. In 1868 it is said to have had a membership of 640,000. The basis of this national organization was the city assemblies of trade unions. At first the national union concerned itself with practical questions of wages, hours, strikes, and arbitration. Strikes were opposed, except as

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a last resort, and arbitration was favored. The program became comprehensive and to some extent idealistic, involving among other things the establishment of co-operative workshops and stores. In the hope of securing capital and credit for its numerous 'co-operative workshops, the National Labor Union joined with the farmers' Grange organizations in demanding large issues of paper money, or greenbacks, such as were issued during the Civil War. The union soon became involved in politics and the promotion of numerous political and social reforms. In 1872 it ceased to function.

Once again the workers deserted theoretical panaceas and turned to more practical measures. The Industrial Brotherhood was formed in 1873, founded on the platform of straight unionism with resort to politics only when industrial methods proved ineffectual. Organization by trade was contemplated, and a vigorous campaign for membership was begun. This movement failed, however, chiefly because workers were so strongly craft-conscious that they were not friendly toward unity and co-operation with men outside their own trades, especially with common laborers.

In 1867 the Knights of St. Crispin was organized by the shoemakers, and the first Grand Lodge was held in 1868. Six hundred chapters were chartered. At the height of its power the order had about 40,000 members, by far the largest labor organization then in existence. Although primarily a rebellion against the use of the machine, the program of this organization included the use of the strike for higher wages and for other benefits. Co-operation, however, was considered the best substitute for the evils of the existing wage system. The decline of this union was as rapid as its rise, and soon after the panic of 1873 it disappeared.

Industrial consolidations and trusts were integrating business organization and operation to such an extent that the craft consciousness and exclusiveness of the workers in the various trades were jolted severely, and the movement to form a general labor union received a new impetus. For a period of fifteen or twenty years this movement was crystallized in the Noble Order of the Knights of Labor, which was organized (1869) by Uriah S. Stevens, a Philadelphia tailor. Originally

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a secret, ritualistic local union of only seven garment cutters and limited to tailors, it became very inclusive, increasing its membership to a number variously estimated at between 600,000 and 700,000 in 1886, when the order reached the zenith of its power and influence. It was greatly re-enforced by unskilled workers.³

The unity of all workers, skilled and unskilled, was the fundamental aim of the order. Machine processes level the workers and make skilled and unskilled interdependent. It was reasoned, therefore, that the most perfect government is one in which "an injury to one is the concern of all." It was essentially a class organization attempting to ameliorate the conditions of the workers *en masse*. Unity of interest necessitates unity of policy, control, and administration. These fundamental concepts explain the highly centralized government of the Knights of Labor. The General Assembly, a delegate body representing the entire membership of subsidiary bodies, had full and final jurisdiction in all matters pertaining to the local and district assemblies. The executive officers of the national organization could suspend local officers and members, revoke charters, and, by unanimous consent, terminate strikes. Autonomy of subordinate organizations was thus practically eliminated. Although the majority of members were to be wage earners, skilled and unskilled, no person over sixteen years of age was excluded except lawyers, bankers, professional gamblers, stock brokers, and liquor dealers. Until 1881 physicians were also excluded. Nationality, sex, creed, and color did not constitute grounds for exclusion.

The official policy of the Knights of Labor was originally to discourage strikes and boycotts and to rely on political action, co-operation, and education, and through these to obtain the abolition of the wage system and to substitute therefor a co-operative commonwealth. Since strikes were to be used only as a last resort, it was difficult for locals to secure funds for strike purposes. Later, however, strikes became frequent and costly and caused numerous internal dissensions. The economic and political program of the Knights of Labor was too comprehensive, and failure was inevitable. It soon came into conflict,

3. See Leo Wolman, *The Growth of American Trade Unions, 1881-1923*, p. 29.

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moreover, with the American Federation of Labor. Since 1900 the Knights of Labor has been practically an extinct organization.

The failure of the Knights of Labor may be attributed to several causes. The order became involved in numerous strikes, often sympathetic, and costly co-operative ventures, the failure of which not only drained its financial resources but brought it into more or less disrepute. The peculiar type of organization, comprising national trade assemblies and mixed labor assemblies, resulted in a conflict with the American Federation of Labor. The structure disregarded the important truth that all wage earners do not have identical interests, but, rather, very definite group interests. Its membership included wage earners, employers, professional men, and farmers, whose economic and political interests were neither identical nor harmonious. Political activity and entanglements spelled disaster for the Knights, as they had for earlier labor organizations. Endorsement of free silver in 1896, condemnation of currency expansion in 1898, and opposition in 1899 to William McKinley as the "bitter enemy of labor" proved sources of internal dissension and outside opposition. Overcentralization of power in the hands of the general officers created jealousy and suspicion in the minds both of the leaders and of the rank and file in the constituent locals and assemblies. Idealism was a contributory cause of the decline of the Knights of Labor, as it had been of many of its predecessors. The abolition of the wage system and the establishment of a co-operative commonwealth seemed remote and rambling vagaries to practically minded trade unionists. The wage earners were interested primarily in immediate improvement of standards of wages, hours, and conditions. It was upon this more practical platform that the successor of the Knights of Labor—the American Federation of Labor—began to build its promise for the wage earners.

6. *The Predominance of the American Federation of Labor, 1881-1920.* Following the panic of 1873, American entrepreneurs sought further relief from the precarious consequences of unrestricted competition. An era of trusts began. The movement was accelerated by the panic of 1893. Both panics affected adversely the trade union move-

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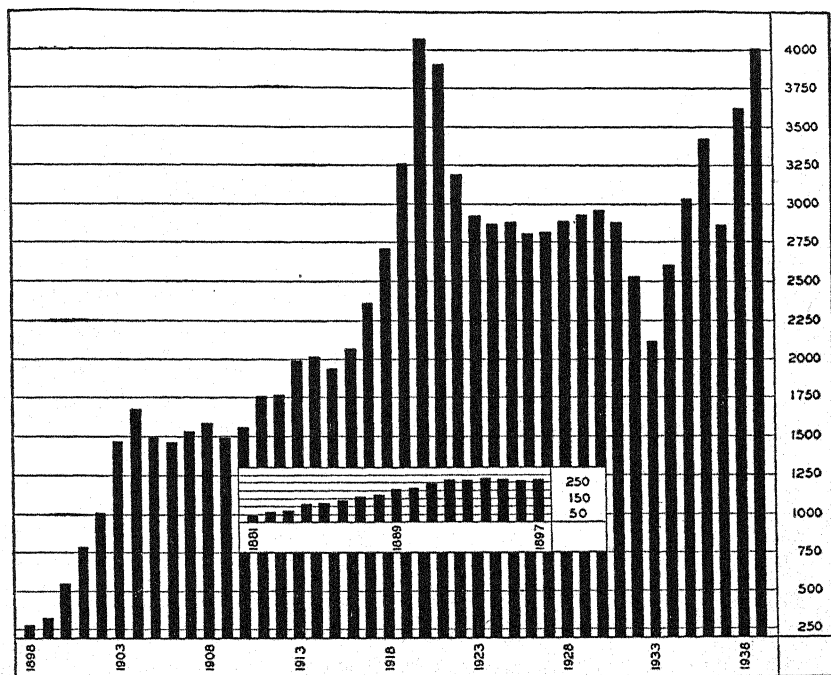
ment, and the consolidation of industrial concerns was forcing a change in the structure of American unionism. In the early years of this period the American labor movement was suffering from serious internal dissension and was striving to find the form of organization best suited to its needs.

In 1881 the Federation of Organized Trades and Labor Unions of the United States and Canada was organized at Pittsburgh. At that time there were ninety-five organizations, having a combined membership of 262,000, affiliated with this federation. Between 1881 and 1886 its permanency seemed very uncertain. In 1886 the national trade unions, fearing domination by the Knights of Labor, assumed control of the federation and reorganized it under its present name of the American Federation of Labor. The immediate task which the new federation took up was the promotion of vigorous independent trade unionism based upon craft autonomy, as opposed to the idealistic, centrally controlled unionism of the Knights of Labor.

Except for a few setbacks resulting from economic depressions, especially after reaching the peak of its numerical strength in 1920, the growth of the federation has been fairly steady. Spectacular advances were made in the first few years of the present century and during the period of the World War. The marked decline which set in just after the war was temporarily arrested in 1928, but the great depression years brought on a heavy reduction in the federation's membership, as is clearly shown in Chart 25. In interpreting the statistics of membership of the American Federation of Labor, it must be remembered that national and international unions are required to pay the per capita tax only upon their fully paid-up membership, so that members involved in strikes and lockouts or unemployed during the fiscal year are not included in membership figures. For the year ending August, 1939, for example, the average paid-up and reported membership was 4,006,354.

7. *Postwar Period, Labor's Test, 1920-1935.* The World War placed many restrictions upon the activities of trade unionism. There were great demands for a competent labor supply so that the nation's participation in the conflict might be successful. But the period which followed was a testing period of the strength and endurance of organized

CHART 25
MEMBERSHIP OF THE AMERICAN FEDERATION OF LABOR,
1881-1939
(in thousands)



SOURCE: Adapted from a figure presented on page 9 of the *Report of the Executive Council of the American Federation of Labor*, October 2, 1939. Reproduced by permission of the A. F. of L.

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labor. During 1921 and 1922, with the decline of war prosperity, a great increase in unemployment began. Such periods are always strenuous for trade unionism; they were especially so at this time because of the widespread adjustments made necessary after the re-establishment of peace. In three years the membership of the American Federation of Labor dropped from a peak of 4,078,740 (in 1920) to 2,926,468 (in 1923).

Throughout this postwar period the American Federation of Labor held a dominant position in the American labor movement. Its membership settled down to fewer than 3,000,000, but for nine consecutive years following 1921 it never passed under the 2,800,000 level. During the Great Depression, as unemployment increased toward the staggering total of an estimated 15,000,000 or more, trade union membership sank to correspondingly new lows. The crisis in the Federation's membership was reached in the spring of 1933, when, for the first time since the United States entered the World War, the number of members fell below 2,200,000 workers. (See Chart 25.)

The National Industrial Recovery Act of 1933, however, with its blue eagle symbol and the famous "Section 7a,"⁴ began to give new impetus to the labor movement, and immediately the cause of labor took on new life. Except for the American Federation of Labor this new life was soon to call for a shift in fundamental emphasis within the labor movement. We shall see presently that this shift has been one from the time-honored craft unionism which had served for so long as the basic structure of the American Federation of Labor to that of industrial unionism under the leadership of John L. Lewis and the Committee for Industrial Organization (later—October, 1938—to become the Congress of Industrial Organizations).

8. *Labor's Struggle for Power, 1936 to the Present.* The cause of labor in America suffered only momentarily with the abandonment of the National Industrial Recovery program when a decision of the United States Supreme Court declared the Act to be unconstitutional.⁵ Following the Supreme Court decision which forced the abandonment of the

4. For a full discussion of the provisions of this act, see Chapter 30, pp. 991-6.

5. See Chapter 31, p. 1035.

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Act, Washington took the first opportunity to draft legislation which would at least give to labor what was generally conceded to be its inalienable right to organize for the purpose of collective bargaining without fear of intimidation or discrimination. This was done by way of the National Labor Relations Act, which became a law in 1935.⁶

About this same time, several leaders of the labor movement were finishing a review of the development of trade unionism in the United States. These leaders (John L. Lewis, Philip Murray, John Brophy, Sidney Hillman, and others) were convinced that the time had arrived for a reawakening of a movement in America which would prove to be effective in sweeping into the membership of labor organizations many millions of eligible gainful workers from groups that had not yet been touched by unionism during its entire national history.

To this end a self-appointed committee suggested that the American Federation of Labor, still representing (by 1935) the unchallenged leading portion of the American labor movement, would do well to think seriously of changing its traditional organization policy from one which encouraged the growth of trade (or craft) unions to one which would give impetus to the rise of industrial unions. It was believed that millions of workers not heretofore organized in this way might be made union-conscious and union-active.

These suggestions were received with considerable reluctance by William Green, the Federation's President. Nevertheless a committee⁷ was officially appointed to study the situation and to return recommendations to the Federation's next annual convention. This was done. Those who were responsible for shaping the policies of the American Federation of Labor failed to heed the warning signal, and immediately there developed a dualistic movement within organized labor which soon became of considerable national significance. Time alone will show the full import of its effect upon the structure and policies of American trade unionism.

THE CRYSTALLIZATION FORCES WITHIN THE LABOR MOVEMENT. Why, we

6. See Chapter 30, p. 996.

7. The Committee for Industrial Organization, of which John L. Lewis was chairman.

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may ask, has this development within the ranks of labor taken place, and what have been the forces which have contributed toward its permanence and character? Brief mention of only a few outstanding chapters from the past records of the labor movement in America is appropriate here. In view of these accounts it may be possible to understand why workers have banded together to gain some of the advantages offered through the process of collective bargaining.

One of the earliest of these crystallizing forces took the form of the railway workers' uprisings of the seventies. By 1870 railroads had developed into a major industry, stretching their lines throughout the nation from north to south and from east into the far west. But improvements in working conditions had not kept pace with the industry's promotion policies and high financing methods. Many of the railway workers were spending fifteen to eighteen hours each day at their tasks. In some cases these long hours were worked by first-class firemen who earned little more than \$1.50 per day and who averaged only four days per week for a total weekly wage of sometimes not more than \$6.00. The companies often pursued a policy of ordering arbitrary blanket cuts in rates. Finally, in 1877 spontaneous uprisings occurred among thousands of railway employees operating several major lines throughout the East. It was an open revolt of working people against the exploitations of greedy managements. During this one year alone, many lives were lost through rioting and bloodshed, and much property was burned and destroyed when large numbers of laborers became incensed against what they considered to be inhuman treatment and totally inadequate wages.

A second crystallization force was found in the early struggle for the establishment of a shorter working day. In fact, two currents within the labor movement converged at Haymarket Square in Chicago in 1886. One was a demand for the establishment of an eight-hour day—a day in many instances (as we have seen from our analysis in Chapter 11) which was only half as long as the ordinary working day of that time. The other current, interestingly enough, was the introduction of a spirit of modified anarchism into American labor theory and practice. Many workers thought an eight-hour day was too revolutionary to seek

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without reserve. Yet militant labor bodies in various parts of the country were at last beginning to denounce publicly the unbearable economic conditions of the working masses. All were demanding a shorter working day. Some were declaring that all land was a social heritage; some asserted that all wealth was created by labor and that there could never be harmony between capital and labor under a profit system of economy.

It was this atmosphere that enshrouded an open gathering of striking workers and their families as they listened to the addresses of labor agitators that evening of May, 1886, at Haymarket Square. Then, suddenly, some member of the crowd hurled a bomb toward a group of policemen who were approaching the gathering from a nearby police station, intent upon breaking up the meeting. A moment later sixty-six policemen had been injured and seven others had been killed. Shots from the officers during the next few moments took the lives of several of those standing in the workers' gathering and wounded approximately two hundred members of the crowd.

To these earlier episodes could easily be added the names of Homestead, Ludlow, Lawrence, and many other major struggles recorded in the history of the rise of unionism in the United States.⁸

But labor violence today has entered upon a new phase. It has been organized and capitalized by the labor gangster and racketeer. Unionism is as responsible for the emergence of this new form of terrorist organization as is capital. In some respects this labor struggle has evolved into a cold, ruthless fight for advantages, and racketeers are employed by both sides to "pull the necessary jobs." Some think that labor leaders are being forced to use the finished violence of gangsters in dealing with employers in order to guarantee the jobs of union workers. Racketeering is thus an outgrowth of the class struggle.⁹

HISTORICAL LESSONS. The foregoing historical sketch of the American labor movement yields several important lessons. Labor organizations in the United States, as elsewhere, are the result of definite, ascertainable causes that operate in the economic and political life of the nation.

8. See especially Selig Perlman and Philip Taft, *History of Labor in the United States*.

9. See Louis Adamic, *Dynamite*.

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Associations formed for the primary purpose of collective bargaining have emerged in response to specific conditions, such as the rise of the factory system with its separation of employer and employee functions and its wage relationship, the persistent invasion of new mechanical methods and processes that substitute machines for men, the exploitation of workers by unscrupulous employers, the widening areas of competition, and the increasing size of the business unit. Unionism, therefore, is not the artificial creation of designing minds but rather the inevitable sequence of a changing industrial order.

The variable character of union organization revealed in the movements for nationalization, amalgamation, and federation is an attempt to adjust the strength of the working class to the enlarged power of the employing class. The subjective qualities of constructive leadership have undoubtedly been partly responsible for modifications in the structure of unionism, but these changes are more largely attributable to economic necessity. The isolated craft union cannot deal effectively with the modern corporation or the employers' association. The inability of differentiated craft organizations to match the power of the enlarged business unit is doubtless responsible for the growth of national unions and the increasing strength of industrial unions, to say nothing of the development of the federation and amalgamation.¹⁰

The failure of such organization as the Knights of Labor suggests, however, that excessive amalgamation may have definite shortcomings, at least in the United States, where as yet the workers are only slightly class-conscious. Here the interest and points of view of different craft groups are apparently neither identical nor harmonious. Thus far centralization of authority and control has proved less acceptable and less effective than decentralized administration afforded by a loose federation. Especially is this true of federations formed to present a united front in struggles that are more or less the common concern of all groups. It is obvious, moreover, that attempts, such as that made

10. See George E. Barnett, "The Dominance of the National Union in American Labor Organization," *Quarterly Journal of Economics*, vol. 27, November, 1912, pp. 455-81; and Selig Perlman, *A Theory of the Labor Movement*.

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by the Knights of Labor, to bring into the same organization employers, professional men, and wage earners are futile. The average wage earner is inclined to regard as platitudinous the observation that employers and wage earners have common rather than conflicting interest.

If the history of American unionism teaches anything it is that the wage earners of this country are intensely practical. They are interested primarily in immediate advances in wages, a shorter workday, and improvement in the physical conditions of labor. Their philosophy is aptly described as fundamentally a bread-and-butter philosophy. Immediate material advantages are obviously preferred to the extravagant promises of a utopian commonwealth proffered by such reform movements as Owenism, Fourierism, and Marxian Socialism. For this reason their program is opportunistic. Even direct political action is rejected in favor of indirect action. In America the political power of the labor movement is invariably diverted to the representatives of the Republican and Democratic parties. In this way an attempt is made to "elect labor's friends and defeat labor's enemies." Chief reliance, however, has been upon such methods as the legislative lobby and the use of economic weapons such as the strike and the boycott.

Looking back over the evolution of the American labor movement, one is impressed with another factor, namely, the numerous forces and conditions that advance or retard the progress of working-class organization. The attitude of governments—local, state, and federal—interpretations of the courts, points of view and policies of corporations and other employers of labor, great strikes and lockouts, economic developments in foreign countries, and the business cycle are some of the important factors that influence the development of unionism. The significance of most of these factors will become apparent in later discussions. At this juncture it is desired merely to re-emphasize the sensitiveness of unionism to changes in business conditions. Generally speaking, periods of depression are reflected in a distinct decrease in union membership, while periods of business revival and prosperity are accompanied by a distinct gain. Statistics of growth indicate also that, with a few exceptions, losses occurring in business recession are more than

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regained in business revival, so that a positive increase in numerical strength is registered by the labor movement as a whole.¹¹ Old and well-established unions usually weather these economic storms much more successfully than do the newer and weaker ones.

IMPORTANCE OF THE NATIONAL UNION¹² IN THE CONTEMPORARY AMERICAN LABOR MOVEMENT. In the development of union structure and government two prominent tendencies appear, namely, increasing interrelationship and integration,¹ and increasing centralization of control within the craft union. The original unit of government was the local union, which enjoyed complete autonomy. Until 1827 there was very little communication between the different trade locals in a given community and the various locals of the same trade in the different localities. Recognition of interdependence, however, gradually led to the formation of alliances. Thus in 1827 the city federation of trade unions emerged, followed in 1850 by the national trade union, and since that time have appeared comprehensive amalgamations and federations. A logical sequence of these developments was the increasingly complex government of unionism.

Since the closing decade of the nineteenth century, the dominant factor in the government of the American trade union has been the national organization. It should not be understood that the local is no longer an important unit in trade union government. In fact, the local must ever be the organic cell of the labor movement. Each local has its own government, which functions constructively in collective arrangements with employers, promotes unionization, and often enters into local politics. It has the usual corps of officials, and in addition various committees performing specific functions. Delegates are elected to the city central or federation. Perhaps the most important officer is the business agent, or walking delegate, who negotiates with employers concerning wages, adjustment of grievances, and the enforcement of union regulations. This office calls for skillful bargaining, intelligence, and diplomacy. Business agents have often been accused of accepting

11. Wolman, *op. cit.* See also Leo Wolman, *The Ebb and Flow of Trade Unionism*, p. 16.

12. Or international union.

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bribes to prevent or call off strikes, and of acting in collusion with certain employers to injure competitors by ordering strikes in the latter's establishments. Officers in the local union usually serve one year, and it is a common practice to pass the honors around. The government of the local is extremely democratic.

The prestige of the national union is well established in American trade unionism, and its authority has become so extensive that it limits or supersedes the power of trade locals, city centrals, and local and national allied councils. The officers of the national unions really constitute the general staff of the American labor movement. National unions exercise such broad powers as the establishment of locals; the determination of membership conditions and privileges, of economic policies, of regulations governing negotiation of instruments and the execution of strike orders; the control and administration of general strike and insurance funds; the publication of the trade journal; and the dissemination of propaganda. Such important functions call for strong leadership and effective control. The annual convention is the real source of authority. This is a congress of delegates from constituent local trade unions and constitutes the legislative body for the organization. It is here that general policies are outlined. Local or district unions that are dissatisfied with the decisions and actions of national officers bring their grievances to the floor of the convention, where the administration and antiadministration factions fight for control. The convention elects the president and the executive committee, appoints special committees, and makes recommendations. Executive and judicial functions are delegated to the president and the executive committee, in whose hands the welfare and progress of the organization rest until the next regular convention. National unions in the United States have shown a tendency to retain experienced leadership for an extended term of service. Constituent locals guard jealously their position by providing that a referendum vote shall be taken on all questions of exceptional importance.

WOMEN AND TRADE UNIONISM. Women have been slow to organize for their industrial protection. In the United States, for example, the number of women in trade unions is both relatively and absolutely small, and is considerably below the percentage for male workers. This

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tardy development of unionism among women workers may be attributed to a number of conditions. The industrial instability of women, caused principally by the natural desire of most women for marriage, does not encourage interest in permanent industrial organization. Even when women have manifested a willingness to enter trade unions, however, they have often met with considerable difficulty because of discrimination against them by organized male workers. Male workers are inclined to fear the competition of female labor, and, with few exceptions, organizations of men wage earners have excluded women. In considering the relation of women to trade unionism, it must not be forgotten that women are employed in the largest proportions in occupations that are notoriously weak in unionism even among men, namely, domestic service, professional service, and clerical work. Of considerable significance also is the rapid growth of protective laws designed to safeguard the conditions of employment for women workers.

In recent years the industrial consciousness of women has been quickened, and they are seeking protection through unionization. There is, moreover, some evidence of a more liberal attitude on the part of men's unions toward the admittance of females to membership. Since 1903, unionism among women in industry has been promoted by the American Federation of Labor and, more recently, through the efforts of the Congress of Industrial Organizations. Such organizations as the Amalgamated Clothing Workers of America, the International Ladies' Garment Workers Union, the United Textile Workers of America, the telephone branch of the Electrical Workers, the Railway Clerks, and numerous women's professional unions have added large numbers of women to their membership.

Questions for Class Discussion

1. It has been said that the inevitable consequences of present-day industrial strife are (1) a lower national and per capita income, (2) lower standards of living, (3) increased distrust, and (4) widespread feelings of discontent. From your own observations of everyday economic life, cite current

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examples illustrating the practical application of each of these consequences to groups of workers or employers.

2. What is collective bargaining? Why do laborers organize? Is the organization of labor inevitable in a highly industrialized society? Is the association of employers inevitable in such a society?

3. Distinguish carefully between unionism and collective bargaining. Does all unionism necessarily involve collective bargaining? Give examples or illustrations supporting your contentions.

4. Under what conditions might an employer voluntarily choose to bargain collectively with his employees rather than individually? Is there ever a time or condition when it makes no difference to the employer what method of bargaining he enters into with his employees?

5. Trace the development of trade unionism in the United States from its emergence down to the present time. Has this development preceded or followed that of other leading nations of the world?

6. How do you account for the fact that unionism in America has scarcely touched the industry of agriculture, even though for many years the plight of both the farmer and his helpers has been distressing most of the time.

7. If the principal objective of trade unionism is to gain better working conditions and higher living standards, why has organized labor been so reluctant to accept these benefits through so-called "welfare" programs?

8. History has shown a definite tendency on the part of local labor organizations to merge into a "federation" of national or international scope. Can you cite examples of local unions enjoying relatively long lives where no affiliation has taken place? Would you say this tendency toward federation is a basic characteristic of unionism? Can unionism long survive without it?

9. How do you account for the fact that the A. F. of L. for almost sixty years has dominated the labor movement in America? Do you see any recent significant developments within industry or within organized labor which promise to change its status?

10. At what phase of the business cycle is organized labor strongest in numbers? In bargaining power? Do the peaks for these two conditions always coincide? Have any artificial influences played their role upon membership in the labor movement in recent years?

11. Why is the period from 1936 to the present time referred to as a period of "labor's struggle for power"? How long may this period be expected to last?

12. The pages of labor history reveal that a number of severe uprisings involving capital and labor occurred in the country between 1870 and the time of the World War. Why was this so? Were these contests any more numerous

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then, relatively speaking, than at present? Were they more riotous and costly in terms of human life? What lessons can we (the public) learn from these records?

13. What is the labor movement? Is it, fundamentally, a class struggle in the United States? Is it that in England? Germany? Russia? Italy? Is there such a thing as a "labor movement" abroad?

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Chapter 18

CONTEMPORARY UNIONISM: STRUCTURE AND GOVERNMENT

¶ NATURE AND TYPES OF UNIONISM. Having reviewed in the previous chapter the process of collective bargaining exercised by labor in its attempt to overcome its natural economic disadvantage, together with a historical sketch of the rise and development of labor unions, we come now to a review of contemporary unionism. In our approach to this subject it is important to remember that there are three distinct and separate methods of employer-employee dealings: direct or individual dealing, negotiations with a trade or industrial union, and dealings through a company union or association. Since contemporary unionism involves the processes of collective bargaining, it is with the latter two methods of employer-employee dealings that the subject matter of this chapter must be concerned.

Viewed in its broadest aspects, a "labor union" is any voluntary association of employees for the purpose of self-improvement. This definition covers all types of labor organizations, regardless of the sources or selection of membership, including the employees' association, the independent union (sometimes called the "company union"), the craft or trade union, the federation, and the industrial union. To those familiar with the field of labor, however, there are at least three important characteristics of a labor union. First, a genuine labor union exists fundamentally for the purpose of improving the economic, political, social, and legal well-being of its members. Second, underlying the structure of the labor union are the basic principles of collective bargaining and industrial democracy through which members subordinate their own

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interests and desires to the promotion of those of the group as a whole. Third, a genuine labor union at any time bears all the characteristics of a fairly permanent association of workers and possesses a definite body or form of organization. Thus for all practical purposes a labor union must possess definite aims; its members must be welded together in a united front for the good of the whole group rather than for the promotion of any selfish, individual interests; and it must, to be effective, take on a definite and permanent form of organization through which it strives to accomplish its goals.

Generally speaking, there are three distinct types of this genuine form of unionism, namely, *craft or trade unions*, *industrial unions*, and *federations*. In actual practice, classification of specific labor unions into any one of these three pure forms of unionism is often difficult, since the organization among working people must be largely opportunistic in philosophy. Thus some combination of these three forms may prove to be expedient under circumstances existing when the organization of labor takes place.

The *trade or craft union* is an organization of wage earners engaged in a single trade or several closely related trades. Each trade association seeks through collective bargaining to secure better conditions of employment for its own particular group of workers. For this reason the trade union is often described as being "trade conscious," or having little concern for the general solidarity of the working class. The familiar weapons of trade unions are the strike, boycott, unfair list, and union label. Reliance upon political action is indirect. The general policy is to work with existing political parties, rewarding labor's friends and punishing labor's enemies. This is especially true of trade unionism in the United States. In some countries, such as Great Britain, the workers have their own political parties, and hence their political representation is direct. The Brotherhood of Locomotive Engineers and the International Typographical Union are typical examples of American trade unionism.

The *industrial union* is an association of wage earners employed in a given industry. Homogeneous combination of all workers, skilled, semi-skilled, and unskilled, engaged in a given field of production or distribution is its aim. Craft lines are ignored in building the structure of

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industrial unionism. For example, in the mining industry, coal diggers, helpers, firemen, shot firers, door boys, haulers and drivers, engineers, spraggers, timbermen, laborers, dumpers, check-weighmen, and other mine workers are assembled in one homogeneous organization. The fundamental purpose of the industrial union is to make the workers' organization coextensive with the integrated structure of the capitalistic organization. The United Mine Workers of America, the International Union of Mine, Mill, and Smelter Workers (formerly the Western Federation of Miners), and the Amalgamated Clothing Workers of America are examples of industrial unionism. The Industrial Workers of the World represents the extreme left or ultraradical wing of industrial unionism. This extreme group believes in uncompromising class war, direct action, and sabotage, and denounces craft unionism as reactionary and ineffective.

The *federation* attempts to bring the members of various local unions within one organization without distinction as to craft or industry, and at the same time strives to preserve the autonomy of each local organization within the federation. It is essentially an amalgamation of local unions, and its fundamental ideal is the unity of all wage earners. The major emphasis is placed on both industrial action and various forms of social legislation such as political reforms, education, producers' co-operation, consumers' co-operation, and socialistic schemes. The federation's program, in distinct contrast with the immediate and practical program of trade unionism, is often permeated with idealism. The American Federation of Labor is the strongest and most important of the American labor federations, being composed for the most part of amalgamations and federations of craft or trade unions. The Congress of Industrial Organizations is a newer form of labor federation, being, in the main, a federation of *industrial* rather than craft unions. The railway brotherhoods also fall under this classification. The Maritime Federation of the Pacific, composed of a federation of several of the craft unions in the maritime industry, constitutes a less extensive federation of unions.

DISTINCTION BETWEEN THE THEORIES OF TRADE AND INDUSTRIAL UNIONISM.
The theory underlying the structure of the A. F. of L. is essentially a

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theory of trade unionism. In labor unions, workers are usually given opportunity for self-expression in dealing with questions arising out of the work in which they are engaged. The structure and policies of trade unionism are based on the principle of trade autonomy. This theory, as set forth by the A. F. of L.,¹ recognizes the right of workers in the same trade to decide for themselves questions affecting conditions of labor in their own particular trade or calling. "These workers have the right of extending control over their trade or occupation throughout the country through the functioning of a national organization. The members of trade unions are free to chart their course in whatever way appeals to them as promoting their best interests so long as there may be no encroachment upon the equal rights of other trades. They may join with members of other trades to act unitedly in a given situation or they may amalgamate with other organizations as the wisdom of these acts suggests." Organizations in allied industries such as the building trades, printing trades, metal trades, and the railroad industry have established departments and associations through which they deal jointly with questions affecting their mutual interests. Machinery exists within the A. F. of L. to federate the ranks of labor for joint activities as far as the members involved may wish to apply such policy.

This theory of trade unionism recognizes the present-day overlapping of trades, formerly separate and distinct, brought on by automatic machinery and the introduction of new materials and processes. Equipment and tools of other trades are introduced in the application of new production methods. It is natural that conflict develops as the workers, using new tools and equipment, claim jurisdiction over new operations, and those who are displaced protest against these encroachments. Trade unionism provides for the orderly adjustment of these questions through conferences and agreements among the organizations whose members are involved. That these disputes are not readily solved is not necessarily a demonstration that the trade union structure is faulty. In any form of labor organization, controversies would be created by the basic and inevitable changes in industrial processes.

The A. F. of L. points with pride to an illustration of the way in which

1. From an undated mimeographed statement issued by the A. F. of L.

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its structure and policies, and those of the trade union movement generally, are flexible enough to meet these changing conditions in industry and labor. The printing trades for many years had been organized into one international union. As work within the industry gave way to new methods and techniques, however, the workers demanded a reorganization of the lines of trade unionism, and as a result there now exist five international organizations,² each with autonomy in its respective trade. These trade unions, under the formal methods provided in the laws of their respective organizations, can merge into one or more international unions, if at any time consolidation seems mutually advantageous.

The great mark of distinction between the underlying theory of the trade union movement and of the A. F. of L. itself, on the one hand, and industrial unionism and the C.I.O. on the other is clearly indicated by the discussion of the theory of trade unionism. Trade unionism is based upon the fundamental belief in the common interests of workers engaged in the same craft and upon the necessity of maintaining complete autonomy among the members of any given trade. Industrial unionism, on the other hand, is founded upon the conviction that in modern enterprise the trade is of relatively little importance, and that the interests of all workers within an enterprise or industry are fundamentally similar. It may well be that these basic differences in union philosophy will prevent the consolidation of their respective proponents.

STRUCTURE AND PURPOSE OF THE AMERICAN FEDERATION OF LABOR. In its structure the American Federation of Labor, as the name implies, is essentially a *federation*, and not a mere *organization* of labor unions. "It is a federation of organizations, each of which has its own government, determined by its own needs and requirements, the result of the experiences of the members of the organization. This right of self-government was recognized in the beginning and has been reaffirmed and adhered to as consistently as possible. The federation has no powers

2. The International Typographical Union, Lithographers' International Protective and Beneficial Association of the United States and Canada, Printing Pressmen and Assistants' Union of North America, International Photo Engravers' Union of North America, and the Stereotypers and Electrotypers' Union of North America.

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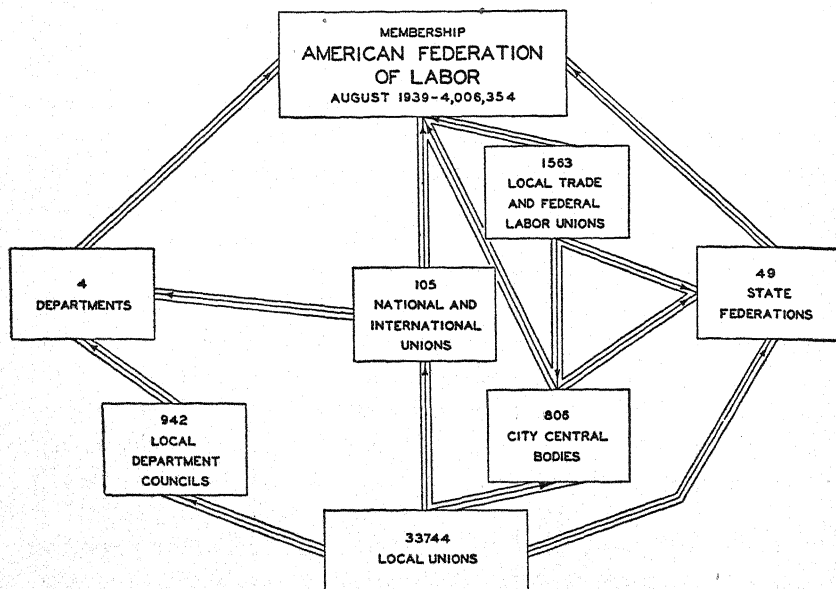
except those which are authorized and conceded by the organizations which compose it. These powers are enumerated in its written constitution and the definite direction of conventions.”³ Chart 26 on page 568 presents the general structure of the A. F. of L. and indicates the numerical strength of its component units at the end of the year 1939.

Craft autonomy, with loose federation for the administration of inter-craft union affairs, is the basis of the A. F. of L. structure. Organizations desiring affiliation must consist of wage earners, although the interpretation of the term “wage earner” is broad enough to include certain salaried groups such as the American Federation of Teachers. The organic unit of the federation is the local union. The locals in a given trade are members of the national or international union of that trade, where such exists. In the absence of a national or international union, a local may be organized by and affiliated directly with the American Federation of Labor itself, in which case it is called a *federal trade local*. These locals are the nurseries for national unions. A local union may cut across craft lines and assume a mixed industrial character when the number of workers of one craft is insufficient to form a distinct trade local. In this case the local is known as a *federal labor union*. The *national* and *international union* is a trade or industrial organization that brings under one jurisdiction the local unions in one craft or industry in the United States and Canada and sometimes Mexico. The national or international unions are usually the most powerful and authoritative units. They create their own locals; sanction affiliation of locals formed independently by the A. F. of L.; maintain organizers; control charters, suspension, and discipline of locals; and render financial assistance to constituent organizations. These units are in fact the independent associations of which the A. F. of L. is merely a loose federation or alliance. They may be trade nationals or internationals, such as the International Typographical Union; or industrial, such as the United Automobile Workers’ Union. Many members of the U.A.W.A. reaffiliated themselves with the A. F. of L. in the spring of 1939, after a number of months

3. Samuel Gompers, *The American Labor Movement* (undated), p. 7.

CHART 26

THE STRUCTURE OF THE AMERICAN FEDERATION OF LABOR



SOURCE: Adapted from the *Report of the Executive Council, Fifty-Ninth Annual Convention, American Federation of Labor, October 2, 1939, p. 10.* Reproduced by special permission of the A. F. of L.

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of federation with the Congress of Industrial Organizations under the name of United Automobile Workers of America.

Isolated craft unions are relatively weak in bargaining with a group of employers and are frequently disrupted by jurisdictional disputes. To remove these difficulties *city central labor unions* or *local federations* of labor are formed. Mutual protection and promotion of the cause of organized labor politically and economically in the locality are the chief functions of these bodies. The local or district department councils are formed within various trades as delegate bodies to determine local jurisdiction, to discipline locals for infraction of local rules, and to make and enforce joint agreements. The *departments* chartered by the A. F. of L. are federations of allied nationals and internationals created to act as clearing houses for difficulties arising between the various organizations. Adjustment of disputes, settlement of jurisdictional disagreements, and the establishment of federated trade locals are among the functions of the departments. At the present time there are four departments in the federation—metal trades, building trades, railway employees, and union label trades. The *state federations* are organizations of the A. F. of L. union bodies in a given state, and are composed of delegates from locals, city centrals, and various councils. The state federation seeks to secure legislation favorable to labor, to promote the purchase of union label goods, and to make effective the boycotts and other measures designed to benefit organized labor.

Crowning the structure is the A. F. of L. itself, functioning through the annual convention, a delegate body which elects annually the *Executive Council* consisting of a president, fifteen vice-presidents, and a secretary-treasurer. The executive and legislative work of the federation is carried on by the Executive Council. At the annual convention each national and international union is allowed one delegate for each 4000 paid-up members or any fraction thereof. One delegate each is allowed also for state federations, city centrals, federal labor unions, and local unions having no national or international union. Numerous fraternal bodies are also represented, most of which are allowed one delegate. The bulk of the voting power rests with the national and international

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unions, which are, consequently, able to determine and control the policies of the federation.

The general objective of the A. F. of L. is to better the conditions of the wage earners in all fields of human activity. "Economic betterment in all directions comes first." It seeks to unite the workers in a loose federation of their independent crafts or associations, leaving each trade or labor unit free to govern itself within its own borders. According to its constitution, it seeks to federate all national and international trade unions for mutual assistance, to promote the use of the union label, to secure legislation in the interests of the working people, to influence public opinion by peaceful and legal methods, and to aid and encourage the labor press.⁴ A review of the program of the A. F. of L. will be presented in Chapter 20.

EARLY HISTORY OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS. Early in the development of the labor movement in America, there was a strong conviction in the minds of a minority group within the American Federation of Labor that this federation was pursuing the mistaken policy of not emphasizing the great advantages of vertical unionization along with the growth of trade unionism. With the continued expansion of large-scale productive enterprise during the latter part of the nineteenth century, this minority group grew in strength, and in fact began to expand its own unionization upon *industrial* rather than purely *craft* union lines. Chief among these early industrial unionists were the United Mine Workers and the International Ladies' Garment Workers, who knew from their own experience that a single strong industrial union is necessary in most modern mass-production plants.

This conviction of the failure of craft organization (as promoted by the A. F. of L.) to unionize effectively the millions of unorganized workers, together with the gradual concentration of heavy industry into giant corporations making employer-employee relations increasingly difficult, gradually gave rise to the need of a new organizing policy. In the words of John L. Lewis: "The workers of the nation were tired of waiting for corporate industry to right their economic wrongs, to alleviate their social agony and to grant them their political rights. Despairing

4. *Constitution of the A. F. of L.*, Article II, sections 4, 5.

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of fair treatment they resolved to do something for themselves.”⁵ For over twenty-five years the A. F. of L. had offered workers a plan of trade union organization, and by 1935 its critics were pointing to the miserable results of such activity.⁶ The major criticism was found in the fact that only three and a half million workers had become members of the A. F. of L. out of an organizable thirty-nine million American men and women.

Leaders of the unions advocating the organization of workers along industrial union lines did not preach a new doctrine at the 1935 convention of the American Federation of Labor. In fact William Green had on numerous occasions pointed out, and properly so, that within the framework of the A. F. of L. there was ample room for both craft and industrial types of unions. There were then, and had been for many years, industrial unions present within this structure. But the organization policy continued to emphasize the craft type of structure, and the critics began to realize that if more years were spent in trying to convince A. F. of L. leaders of the necessity of a fundamental shift to industrial unionism, “the opportunities of the century to build a real labor movement in this country would be lost.”⁷

As a consequence, several weeks later, in Washington, D.C., the Committee for Industrial Organization was formed. Eight persons composed the membership of the original committee: John L. Lewis, Philip Murray, Charles P. Howard of the International Typographical Union, Sidney Hillman of the Amalgamated Clothing Workers, David Dubinsky of the International Ladies' Garment Workers, Thomas F. McMahon of the United Textile Workers, Harvey C. Fremming of the Oil Workers, and Thomas H. Brown of the Mine, Mill and Smelter Workers. Mr. Lewis was elected as the committee's chairman, and John Brophy was appointed its director. Since then these last two leaders have been elected to corresponding offices in the Congress of Industrial Or-

5. John L. Lewis, “Labor and the Nation,” in a national radio address on September 3, 1937.

6. See *Industrial Unionism, The Vital Problem of Organized Labor*, (Committee for Industrial Organization, Washington, 1937), p. 31.

7. *C.I.O.—What It Is and How It Came to Be*, Publication 12, (Committee for Industrial Organization, Washington, 1937), p. 10.

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ganizations, a federation established after the groups represented in the Committee had been suspended from affiliation with the A. F. of L.⁸

STRUCTURE OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS. The present structure of the Congress of Industrial Organizations is presented in Chart 27. As was suggested above, it is essentially a federation of industrial unions. Serving as the chief executive agency for all the affiliated unions is the *Executive Board*, which hears reports on the various activities and approves reports of the C.I.O. committees on labor legislation, social security, housing, unemployment, and conciliation with the A. F. of L. In general, this board is responsible to the C.I.O. in a manner similar to that of the board of directors of a large corporation.

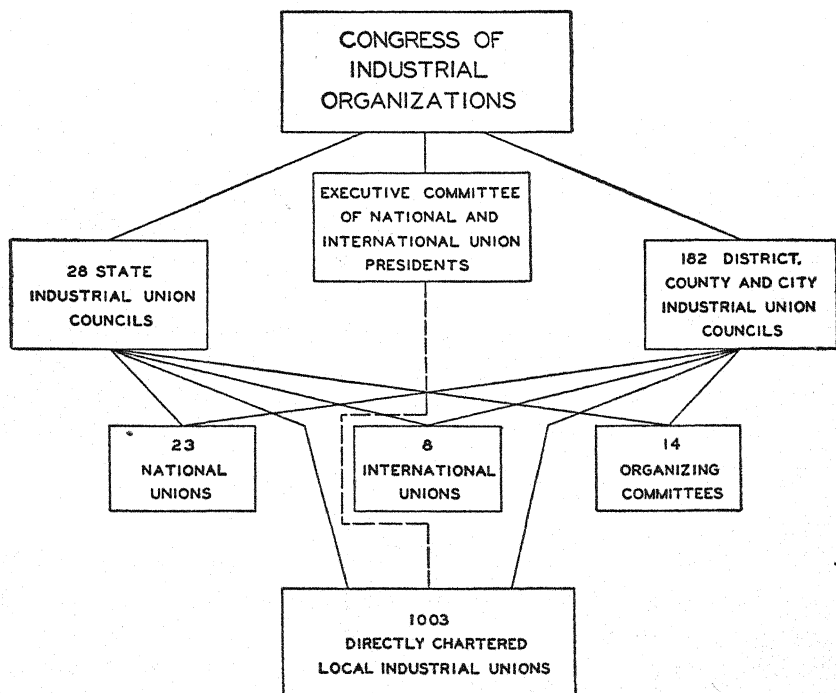
Forty-five national and international unions and organizing committees act as the central federating agencies of the 210 state, county, and city industrial union councils and their respective local unions. In addition, some 567 local industrial unions which have not yet been organized into nationals or internationals have direct access to the parent body. The original organizing work of the C.I.O. is carried on by "organizing committees" formed for the specific purpose of selling the cause of industrial unionism to various groups of employees not yet organized. As soon as this work has been carried forward to the point of establishing a "local" within a given company, the committee moves on to another enterprise until the industry has been satisfactorily covered. One by one these locals may affiliate directly with the parent body, or may federate through a national or international organization.

Included among the 210 industrial union councils are 28 state industrial union councils, the remainder being district, county, and city councils. These bodies serve not only as co-ordinating agencies for all C.I.O. unions within the area in question, but as representatives of the C.I.O. policy in state and community affairs as well.⁹ It is claimed that

8. In November, 1938, the Committee for Industrial Organization became an integral part of the labor movement of this country when its membership and officers took on the permanent characteristics of a federation of industrial unions under the new name of the Congress of Industrial Organizations. It is still commonly known as the C.I.O.

9. See the *Report of President John L. Lewis to the Second Constitutional Convention of the Congress of Industrial Organizations*, (San Francisco, October 10, 1939), pp. 7, 8.

CHART 27
THE STRUCTURE OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS



SOURCE: Compiled from information presented in the *Report to the Second Constitutional Convention*, October 10, 1939, and checked by the central office of the C.I.O.

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campaigns for the unemployed, for better housing, for progressive education, and for a cleaner and more democratic political life, they have proved their value many times over to the people of the areas they represent. Representing the combined voice of all sections of progressive America, or they have become leaders in American social and political community life."¹⁰

At the time of its organization, the purpose of the Committee was declared to be "to encourage and promote organization of the workers in the mass-production and unorganized industries of the nation and affiliation with the American Federation of Labor."¹¹ That the first objective has met with considerable attainment is well illustrated by the fact that, at the end of the second year of the federation, about 3,800,000 members were affiliated with the parent body, of which 525,612 were steel workers, 381,200 were automobile workers, 612,113 were miners, 1,717 were rubber workers, 157,891 were electrical and radio workers, 10,300 were textile workers, and 55,210 were mine and smelter workers, to mention only a few of the most important unions.¹² Whether or not the second objective will be obtained is still dependent upon peace and union between the C.I.O. and the A. F. of L.

THE RAILWAY BROTHERHOODS. An outstanding characteristic of unionism within the railroad industry is the presence of dualism, not only within the A. F. of L., but among many of the independent unions. This is why it is so difficult to obtain a clear-cut picture of the organizational structure of the unions within the industry. Dualism is particularly true of the unions for colored railroad men, since Negroes are ineligible for membership in nearly all of the standard railroad organizations. Therefore, colored workers had usually formed their own unions upon a local basis only. In order to overcome this deficiency, a program was launched by the International Association of Railway Employees in 1934 in an endeavor to bring these many scattered groups of colored workers into

10. *Ibid.*, p. 8.

11. C.I.O.—*What It Is and How It Came To Be*, *op. cit.*, p. 10.

12. *Proceedings of the First Constitutional Convention of the C.I.O.*, November, 1938, pp. 14-28.

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one comprehensive body. But thus far the movement has not met with appreciable success. Many Negro workers, however, have been taken into the various craft unions affiliated directly with the A. F. of L. For instance, sleeping-car porters, through their respective local unions existing in most of the large railroad centers of the nation, were given a national charter in 1936.¹³

Within the broader structure of organized railroad workers there are two major groups: those brotherhoods which are affiliated with the A. F. of L., and those which have remained independent and are known commonly as the Big Brotherhoods. In the first group, two are of national significance: the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, organized originally in 1898, and now numbering 135,000 members; and the Brotherhood of Maintenance of Way Employees, organized in 1886, with a current membership of approximately 100,000. The latter organization was purely social and benevolent in character during its early life until it extended jurisdiction to track laborers in 1896. Affiliated also with the A. F. of L. are three much smaller brotherhoods of conductors, porters and switchmen, accounting in all for a combined membership in 1937 of less than 17,000 workers.¹⁴

The five most important independent railway brotherhoods are: (1) Brotherhood of Railroad Trainmen (116,000 members), formed in 1883; (2) Brotherhood of Locomotive Firemen and Enginemen (61,000 members), organized in 1873; (3) Grand International Brotherhood of Locomotive Engineers (59,000 members), started in 1863; (4) American Federation of Railroad Workers (20,000 members), formed in 1901; and (5) the Brotherhood of Railroad Signalmen of America (12,000 members), founded in 1901. Most of these organizations sprang up during the early days of the industry when hours were long and no welfare activities or benefit plans were available to the workers. They were

13. See "Organized Labor Movement," Serial No. R 513, (United States Department of Labor, 1937), p. 27 (from the January and February, 1937 issues of the *Monthly Labor Review*).

14. *Ibid.*, p. 27.

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organized for the purpose "of advancing the material, financial, social and moral conditions of the railroad workers of America."¹⁵ All are concerned chiefly with train operation. Another large group consists of railroad shop craftsmen such as blacksmiths, boilermakers, car builders, electrical workers, firemen and oilers, and sheet-metal workers. They are affiliated with the A. F. of L. largely through the construction industry and machinery and metal trades, since they have been organized along trade union rather than industrial lines.

There is, technically speaking, no closely bound federation of these national brotherhoods. The traditional bargaining unit within the industry is the individual railroad system, each craft negotiating its own contract with each operator. But there have been times, since 1932, when major questions of wage increases and decreases have been settled upon a nationwide basis. This was the case in 1939, when the railroad operators, through the Association of American Railroads, proposed a blanket reduction in wages throughout the nation that was bitterly opposed by the brotherhoods. During such activities the brotherhoods are temporarily federated through the Railway Labor Executives Association, an executive board composed of the presidents of twenty unions of railroad workers.¹⁶

The C.I.O. has not been particularly interested in the railroad industry inasmuch as unionization is well established and fairly widespread there. The railway brotherhoods represent informal but powerful organizations of workers which during the past have been able to make many gains for workers in the industry. Among the most notable have been the shorter working day (although unchanged since 1919), better pay, and the regular settlement of complaints and disputes through the mechanism established under the Railway Labor Act. The following table suggests the trend in relative union strength of the railway brotherhoods compared with that of the manufacturing and mining industries during recent years.

15. From the statement of the object of the American Federation of Railroad Workers, *Handbook of American Trade-Unions* (1936 ed.), Bulletin no. 618, U. S. Department of Labor, p. 266.

16. "Collective Bargaining with Employer's Associations," *Monthly Labor Review*, vol. 49, August, 1939, pp. 302-9.

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TABLE 47

PERCENTAGE OF TRADE UNION ORGANIZATION AMONG
EMPLOYED WAGE EARNERS IN THE MANUFACTURING,
COAL MINING AND STEAM RAILWAY INDUSTRIES

1923-1934

Year	Manufacturing	Coal Mining	Railroads
1923	12.7	57.1	44.7
1924		58.9	45.6
1925	12.4	55.4	45.2
1926		47.6	43.2
1927	12.1	49.0	43.5
1928		45.3	45.2
1929	10.9	37.4	44.6
1930		31.8	49.0
1931	14.1	48.2	51.2
1932		64.9	56.3
1933	16.2	61.5	51.0
1934		90.6	49.7

SOURCE: Adapted from Leo Wolman, *Ebb and Flow of Trade Unionism*, New York, National Bureau of Economic Research, 1936, p. 123. Reproduced by permission.

THE INDUSTRIAL WORKERS OF THE WORLD. Revolutionary industrial unionism in America, at least in its organized form, had its inception at Chicago, in 1905, with the organization of the Industrial Workers of the World. Even in its origin the I.W.W. represented a merger of radical groups such as the Socialist Labor Party, the American Labor Union, and the Western Federation of Miners, which were opposed to craft unionism and sought to promote organization of the workers by industries with the hope that these might be integrated eventually into one big union. Destruction of the present economic and political order is its ultimate goal. Revolutionary industrial unionism is a protest against the conservative policies and purposes of the American Federation of Labor. Originally, the Industrial Workers of the World sought to combine industrial mass action with political action through co-operation with the Socialist Party. In 1908, however, a split occurred in the organization that resulted in the formation of two branches, known as

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the Chicago I.W.W. and the Detroit I.W.W.¹⁷ The organization had been weakened in 1907 by the withdrawal of the Western Federation of Miners, which later affiliated with the American Federation of Labor. In 1915 the Detroit branch of the I.W.W. became known as the Workers' International Industrial Union. Briefly, the essential difference between the two branches is that the Detroit group seeks the establishment of a socialistic commonwealth by means of political action as well as industrial action, while the Chicago group finds its ultimate ideal in a free industrial action and sabotage, theoretically, but not always actually, free from violence. The following discussion of the I.W.W. refers to the Chicago branch, or syndicalistic group.

The I.W.W. in America is syndicalistic. Syndicalism proposes the abolition of the political state and the reconstruction of society by direct industrial action. It advocates the general strike of all workers simultaneously to overthrow the present capitalistic order and to substitute therefor ownership and control of industry by the workers. The doctrine of the class struggle is taught, and direct action is interpreted to include the general strike, boycott, union label, and sabotage. Sabotage may be peaceful, consisting of soldiering on the job and other similar tactics, or it may be violent, including such practices as misdirection of baggage and perishable goods and disabling of machines. Private property rights and privileges are denounced. The political state is viewed as an agency of suppression and coercion, and an industrial commonwealth of free associations of workers is desired. French Syndicalism, Russian Bolshevism, American Communism, English Revolutionary Industrial Unionism, and American I.W.W.-ism have similar ideals and purposes. Syndicalistic opposition to the political state has led to its condemnation as a philosophy of "quasi-anarchism."

Although the Industrial Workers of the World has been a much-feared organization and can easily make the headlines of metropolitan and less important journals, it is, as a matter of fact, much less powerful than is generally supposed. Its actual membership cannot be determined accurately, because the union refuses to state it officially. The paid-up membership (Chicago branch) just before the World War was 14,300,

17. Now with headquarters in New York City.

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and about 120,000 membership cards were held at that time. On January 1, 1917, the paid-up membership was put at 60,000, and 300,000 cards were said to have been issued since 1905.¹⁸ The total membership of the other branch (Detroit) of the I.W.W. in 1912 was estimated to be about 10,700, and only 2000 in 1914.¹⁹

In reality the I.W.W. is not an effective organization, and its philosophy is essentially dangerous. Its membership comprises a restless, unstabilized body of workers who have rebelled against the present economic and political order and who in their antisocial attitude and practices have discarded all suggestions for opportunistic reforms. Many of them are "floaters" or "migrants," unable and unwilling to support financially the organization through which they wish to revolutionize society. Internal dissensions, financial weakness, jealousy, public suppression and persecution, lack of faith in strong leadership, ultra-individualism, a lack of practicality, and excessive idealism are among the many reasons why the Industrial Workers of the World has not gained and probably will not assume leadership in the American labor movement. American labor is still predominantly craft- or industrial-conscious rather than class-conscious, and is more sympathetic toward practical and immediate gains than toward proposals for an industrial utopia. Nevertheless, many former members of the I.W.W. and other similar bodies have filtered into the large federations and industrial unions, where they continue to preach their revolutionary doctrines.

TRADE UNION UNITY LEAGUE. Another revolutionary organization, the Trade Union Unity League, organized in 1929, brought together a number of unions under communistic leadership outside the A. F. of L. The organization flourished for a while, accounting for some 125,000 members by early spring of 1934, but in 1935 the policy of organizing independent unions was abandoned. Members have filtered into other labor organizations, where now they try to win recruits over to their

18. Paul Brissenden, *The I.W.W.; A Study of American Syndicalism*, 2nd ed., p. 341.

19. Leo Wolman, *The Ebb and Flow of Trade Unionism*, National Bureau of Economic Research, New York, 1936, p. 190. Wolman estimates that at its peak, in 1912, the I.W.W. had only approximately 30,000 members (*ibid.*, p. 143). No recent figures are available, since the I.W.W. as an organization no longer exists.

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revolutionary philosophy, but as yet they have not had appreciable success. Its most important national unions were the National Miners' Union, the National Textile Workers' Union, the Needle Trades Workers' Industrial Union, the Marine Workers' Industrial Union, and others in the steel, automobile, shoe, and canning industries. The basic unit of organization was the "rank and file" shop committee. Its declared policy was to further "the organization of new revolutionary industrial unions in industries where there are no unions and in industries where the existing unions are corrupt and impotent."

INDEPENDENT UNIONS AND COMPANY UNIONS. The now famous Section 7a of the National Industrial Recovery Act served as a great impetus in the growth of the independent or company union. Immediately employers seized upon this type of organization as a protection against a strong and effective unionization of their workers. Soon the *company union* became the *company-dominated union*. Now the National Labor Relations Act attempts to protect the worker from the company-dominated union. The company union, however, is still a legitimate form of labor organization as long as it remains free from intimidation or control by the management. But it must remain entirely free from any act of domination on the part of the management in order to exist as a true form of unionism. Experience has indicated that this is not likely to be true in a majority of instances unless the National Labor Relations Act is effectively administered. The company-dominated union has been outlawed only among workers engaged in the production of products for interstate commerce, and in some states where "little labor relations laws" have been enacted.

Organized labor groups have consistently looked with disfavor upon, and in many instances have violently opposed, the company union. It is argued that no employer is spending money or permitting his employees to spend his time and theirs (for such is still possible in all activities coming outside the jurisdiction of the National Labor Relations Act or the state labor relations acts) in any union that will cost him anything in the long run. Yet, opponents of the company union argue, if it does not succeed in obtaining better wages for the worker, it cannot be much of a union. It is a foregone conclusion that, unless the employer knows

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the company union will be a harmless thing, that it will not touch the profits he makes, he will not tolerate it.²⁰ Company unions are also thought to have a "disarming habit of winning raises" almost at once. This is considered "fine window dressing," an act which the feebly organized worker pays for heavily in the long run. The point of view of most organized labor is well set forth in songs and verse relative to the merits of the so-called company union.²¹

All students of labor agree that the company-dominated union is a subtle, unfair device which accrues to the advantage of the employer and to the great disadvantage and injustice of the worker. Yet, if an organization is brought into being for the fundamental purpose of collective bargaining without exposing the workers to the outside dictates of labor and labor racketeering, it may well prove to be an instrument in the establishment of higher wages and better working conditions. If this be the case, the company union will prove itself to be a genuine independent labor union, even though greater bargaining strength is ordinarily to be gained by affiliation with a union or federation of local unions. The susceptibility of company unions to management domination is suggested by the fact that, of all company unions studied in a national survey by the United States Department of Labor during the early years of the National Recovery Administration, some 80 per cent of them were found to have originated solely by action of the management.²²

THE "EBB AND FLOW" OF THE AMERICAN LABOR MOVEMENT. The labor movement of the United States must be interpreted not only in the light of the objectives of the workers in organizing themselves, but also in terms of the social and economic environment in which these desires have been manifested. The impact of the plans and purposes of union-conscious and union-participating men and women has left a deep im-

20. See the arguments advanced in *The Company Union Trap*, issued by the C.I.O. divisional office in San Francisco, California.

21. See, for instance, the "Ode to Company Unionism," reprinted from *Hosiery Worker in Company Unions*, issued by the Educational Department of the International Ladies' Garment Workers Union (undated), p. 2.

22. U. S. Bureau of Labor Statistics, *Characteristics of Company Unions*, Bulletin no. 634, 1935, p. 85.

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print upon our social and economic mode of living. Furthermore, there has taken place a continuous modification and reformulation of the labor movement in the light of traditional American institutions. General economic and political conditions have influenced the ebb and flow of membership. The attitude of American public opinion has affected its structure, plans, and purposes. Its growth throughout the years has been retarded by that tremendous traditional force which holds private property as a "sacred" right—a right giving the employer complete control of his productive property and the freedom of contract and enterprise. It is a principle which has proved to be a great barrier to the growth of unionism.

The American labor movement has been, and still is, definitely circumscribed by the dominant attitude of the public toward its organization for "job control." But the movement has continued to shape its structure and objectives in the light of institutions. Unionization need not necessarily conflict with our social patterns, but it is forced to be conscious of them. These factors have proved to be powerful forces in the course of the rise of the labor movement in America.

Some of these forces shaping the pattern of organization and determining the extent of its ebb and flow have been bold and material. One of the most important single contributing factors has been the gradual consolidation of business and the growth of giant mass-production industries. Production has become increasingly concentrated in powerful corporations. In 1889 the Carnegie Steel Company was formed by merger of several competing organizations. In 1901 the United States Steel Corporation, a product of further merging of steel interests with the old Carnegie Corporation, became the first billion-dollar corporation in America. Coincident with this consolidation occurred far-reaching technological change. Because of new advances in techniques the substitution of unskilled for skilled mechanics became possible. As mass production increased, the relationship between employer and employee became more and more distant.

This development has given rise to an imperative demand, among the ranks of labor, for presentation of a united front in order to overcome the growing evils of an impersonal relationship. Labor began

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to copy the lessons learned from big business. Enterprise was uniting, why not labor? Craft unions began to feel their inability to meet the situation, and through the years a growing interest in the industrial type of union has been encouraged. In permitting contracts between separate groups, craft unions, at least to some extent, were limiting labor's potential bargaining power because some groups were forced to work while others were on strike. Thus the growth in industrial unionization was inevitable; its parentage was to be found in the same economic forces which gave birth to mass production and the giant business corporation.

Statistical analysis of the growth of American trade unions over the past fifty years also reveals the influence of the political environment as well as that of the economic. During the period from 1915 to 1920, as the data in Table 48 show, the number of union members increased

TABLE 48

TOTAL MEMBERSHIP IN AMERICAN TRADE UNIONISM, 1897-1940
(Average Annual Membership)

1897	447,000	1908	2,130,600	1919	4,125,200	1930	3,392,800
1898	500,000	1909	2,005,600	1920	5,047,800	1931	3,358,100
1899	611,000	1910	2,140,500	1921	4,781,300	1932	3,144,300
1900	868,500	1911	2,343,400	1922	4,027,400	1933	2,973,000
1901	1,124,700	1912	2,452,400	1923	3,622,000	1934	3,608,600
1902	1,375,900	1913	2,716,300	1924	3,536,100	1935 ^a	4,000,000
1903	1,913,900	1914	2,687,100	1925	3,519,400	1936 ^a	6,000,000
1904	2,072,700	1915	2,582,600	1926	3,502,400	1937 ^a	6,500,000
1905	2,022,300	1916	2,772,700	1927	3,546,500	1938 ^a	7,000,000
1906	1,907,300	1917	3,061,400	1928	3,479,800	1939 ^a	7,500,000
1907	2,080,400	1918	3,467,300	1929	3,442,600	1940 ^a	9,250,000

^a Figures for last six years are the author's estimates, and are crude because of the difficulty in obtaining reliable data on C.I.O. membership. Reproduced by permission of the National Bureau of Economic Research, publishers.

SOURCE: Leo Wolman, *op. cit.*, p. 16.

almost 2,500,000, an amount greater than the gain experienced during the eighteen years between 1897 and 1914. At the end of the World War the peak of union membership was at a figure of approximately 5,000,000, but with the turn of the economic and political tides a substantial loss in membership began. This is an inevitable result of periods of business

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recession and widespread unemployment, as the people of this country have had so emphatically impressed upon them during the Great Depression which followed 1929. By 1923 the number of members was roughly 1,500,000 fewer than the peak reached during the war. In three years over half the war gains had been dissipated.

The tremendous strides in unionization climaxed at the end of the war were due to three factors. During the war a tremendous demand for American products built up the demand for labor and thus contributed to the flow. Then there also occurred a great decrease in the new supply of labor from immigration, as we have seen in our study of this problem. The labor shortage placed labor in a strategic position. Added to this was a third factor, a growth in the sympathetic attitude of the employer toward his laborers. Trade unions, largely of necessity, perhaps, were recognized with little or no compulsion as the agents of collective bargaining, and these groups in turn responded favorably to a patriotic appeal for loyal and continued service during the World War, without costly interruptions through strike action. Then with great abruptness the war ended, governmental assistance slowed down, and employer groups began their postwar open shop movement.

What only a little while previously had been an acute labor shortage rapidly became a labor surplus. The inevitable turn of the business cycle after a war-boom period began to take its downward course. Unemployment followed, along with efforts to cut wages and lower standards of working conditions. And so the strength of organized labor began to dwindle. It was destined to remain at fairly low tide until well into the great depression period.

Our review of the structure of the C.I.O., born into the labor movement during the early months following the depth of this depression period, has already suggested the forces which gave rise to the phenomenal growth of American unionism during the several years leading up to 1940. The American labor movement today has a membership far greater than it had during any other period of its history. The encouragement given labor organizations through protective labor legislation and the influence of strong competition for membership brought

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on through organizational activities by the C.I.O. have been by far the most important single factors contributing to this record.

Although encouraging progress is indicated by this growth in trade union membership, American wage earners are still a long way from being completely organized, since perhaps not more than a fourth or fifth of all organizable workers are members of the labor movement. This condition exists despite recent vigorous and persistent efforts to expand the organized labor front. Though recent progress is encouraging, the movement still has much ground to cover in America.

INTERNATIONAL GROWTH OF UNIONISM. Trade unionism has become a world movement of extraordinary numerical strength, and was assuming considerable industrial and political power until dictatorships in the totalitarian nations of Europe checked its growth there. American unionism is but a phase of this universal attempt of the wage-earning class to improve its economic, social, and political status. In the last few decades especially, the trade union movement has experienced remarkable growth in some of the nations of the world. In others, recent years have witnessed fundamental revisions in the principles of democracy, and the growth of the labor movement there has been either curtailed or has taken on a new and different meaning. This is indicated in the following data from the International Labor Office of the League of Nations.

It is evident that the labor movement everywhere has reflected the unusual influences of the World War and the business depressions which have followed. Unprecedented expansion in union membership seems to be the universal story of trade union experience during a war period. Although the labor movement has not been able to consolidate and hold all of its gains, the present finds its strength far greater than in the pre-war period. Labor organizations face a constant struggle to maintain their strength, and even when successful this objective is achieved at a great cost in money and effort. The forces of opposition and disintegration are always powerful, but the vision of unionism seems to be imperishable, at least in democratic nations of the world.

TABLE 49
AVERAGE MEMBERSHIP OF TRADE UNIONS IN SELECTED
COUNTRIES, 1914, 1920-1934
(in thousands)

Country	1914	1920	1921	1922	1923	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	1934
Australia	523	684	703	703	700	729	795	851	912	911	901	855	769	740	739	
Austria	147	965	1158	1128	976	908	884	832	862	878	857	780	705	634	537	261
Belgium	203		885	780	764	750	727	697	685		709	748	804			
Canada	134	373	313	276	276	260	271	274	290	300	319	322	310	283	286	281
France	1026	1581		1768	1809	1805	1846	1181				1237				
Germany	2166	9192	8779	12530	13309	5371	6604	6292	6960	7561	7071	7670				
Great Britain	4143	8346	6631	5624	5428	5543	5505	5219	4918	4806	4857	4841	4623	4440	4387	4567
Italy	962	3587	2257	1455	1514	2381	2530	2411	2921	2921	3093	3561	3732	4033	4475	4698
Japan			103	137	125	228	254	284	309	308	331	354	369	377		
New Zealand	74	96	98	96	94	97	100	99	101	104	102	101	90	79	71	
Russia		5220	7913	4545	5551	6430	7847	8768	10441	10584	11220	12066	13554	16500		
Spain		211		208	210	210	217	219	223	320	258	287	958	1041		
United States	2687	5047	4781	4027	3622	3536	3519	3502	3546	3479	3442	3392	3358	3144	2973	3608

Source: International Labor Organization.

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Questions for Class Discussion

1. What is a labor union? Distinguish carefully between a labor union and unionism. Between labor unions and the labor movement.

2. How do you explain the shift in emphasis from the *craft* type of union to the *industrial* type? Was this shift bound to come with time? Does it represent a permanent change in labor unionism?

3. From the theoretical point of view, discuss the economic implications of trade unions. Can you see any possible difference in their respective influences upon production costs between the craft and the industrial types of unionism?

4. From a study of the structures of the A. F. of L. and the C.I.O. what do you find to be (1) the basic similarities and (2) the basic dissimilarities of these two organizations? Are the dissimilarities so striking, to your mind, that they offer little or no hope for union between the two groups? What changes in structure appear to be necessary before consolidation can take place?

5. Trace the historical development of the C.I.O. How much of its life has been due to individual leadership, and how much has been due to economic forces?

6. Are the railway brotherhoods a federation? How do you explain the contemporary development of these brotherhoods and the A. F. of L.? What are the forces present today which seem to be responsible for maintaining the individual identity of the brotherhoods?

7. Why, relatively speaking, are so many more workers now organized in the coal mining industry in the United States than in the railroad and manufacturing industries?

8. Is the basic structure of the American labor movement built upon radicalism or conservatism? Is this structure ever changing in its degree of radicalism or conservatism, or does it tend to remain much the same from decade to decade?

9. Do you see any future in America for the truly independent local union?

10. What is meant by the "ebb and flow" of the American labor movement? How do you account for the "flow" experienced by the movement in this country in recent years?

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Chapter 19

CONTEMPORARY UNIONISM: FUNCTIONS AND METHODS

¶ **FUNCTIONAL CLASSIFICATION OF UNIONISM.** The preceding historical sketch of unionism has suggested in a general way the purposes and ideals of American unionism. Broadly speaking, these purposes and ideals may be divided into two categories, namely, those which accept the present industrial and political order and seek to improve the status of the wage-earning class by promoting a practical program of immediate amelioration, and those which seek a complete reorganization of political and industrial society, assuming that capitalism is not the final stage in economic evolution. In other words, the aims and ideals of unionism may be either conservative or revolutionary. The unions affiliated with the A. F. of L. and the C.I.O., represent the first group, for the most part, while such organizations as the I.W.W. and the Trade Union Unity League represent the second group.

Besides the structural classification of unionism presented in Chapter 18, unionism has been classified according to its functional characteristics,¹ although both the validity and value of such a classification can be seriously questioned. According to this classification the various union types include business unionism, friendly or uplift unionism, revolutionary unionism, and predatory unionism. To this list another type is sometimes added, namely, dependent or company unionism.

Business unionism is characterized by trade consciousness rather than class consciousness; conservative acceptance of the capitalistic system; emphasis upon immediate and practical reforms such as increased wages,

1. R. F. Hoxie, *Trade Unionism in the United States*, chap. ii, pp. 53-77.

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shorter hours, and better conditions of work, and insistence upon voluntary rather than compulsory arbitration of industrial disputes; freedom to use the strike, boycott, unfair list, union label, and other methods of effective collective bargaining; and democratic control of union organization. The majority of craft unions are of the business type. The most striking examples are the railroad brotherhoods.

Friendly or uplift unionism, like business unionism, is conservative. The friendly or uplift union, however, is inspired with a greater measure of idealism; it places the emphasis upon education, social insurance, profit sharing, labor copartnership, labor legislation, co-operation, and other schemes that are designed to promote the general welfare of the workers. Collective bargaining is commonly practiced, but strikes and other weapons are used only as a last resort. The Knights of Labor is the best example of this type of unionism.

Revolutionary unionism, as the term suggests, is characterized by a very definite class consciousness. It deprecates the dismemberment of the labor movement into petty craft organizations unable to cope with corporate associations, believes firmly in the solidarity of labor, condemns the capitalistic system, and advocates an industrial commonwealth controlled by and functioning for the workers. Furthermore, it opposes opportunistic methods of collective bargaining, refuses all compromises with capitalism, and insists upon real democracy within unionism itself. Revolutionary unionism in America comprises two distinct groups, namely, the *socialistic* group, including those who seek to establish a socialist state by political action, and the *quasi-anarchistic* group, consisting of those who desire an industrial commonwealth founded upon free associations of workers owning and controlling their industries, such a commonwealth to be gained by industrial rather than political action. The former group is represented to a large extent by the International Union of Mine, Mill, and Smelter Workers and the latter group by the Industrial Workers of the World.

Predatory unionism is less distinctly a type than those already discussed. It comprises *hold-up unionism* and *guerrilla unionism*. The former is dominated by autocratic bosses and corrupt business agents who accept bribes from employers in exchange for promises not to call

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strikes and to keep the contractors supplied with union men. The officials of this group have been accused of dispensing union labels for financial considerations and of acting in collusion with employers in eliminating competitive conditions, thus maintaining the price level and passing the burden to the consumer. Monopoly, corruption, and violence are its common methods. Hold-up unionism has often been found in the building trades and is still extant in our great cities. The corrupt union machine in some of our cities is no more respectable than the corrupt political machine with which it is often allied. In recent years corrupt union leaders have been positively identified with city "racketeers" practicing widespread extortion. Guerrilla unionism is different from hold-up unionism in that it is unlikely to make any compromises with the employer, but rather maintains its antagonism to the interests of the employing group. "It is secret, violent, and ruthless, seemingly because it despairs of attaining what it considers to be legitimate by business, uplift, or revolutionary methods."² The campaign of violence and sabotage conducted by the bridge and structural iron workers years ago and the violent tactics of building trades workers in recent years are evidences of guerrilla unionism in action.

As was pointed out in the preceding chapter, no classification of unionism is absolutely accurate, nor can it long remain even approximately so. Unionism is an indefinite, complex, and varying phenomenon. Within the same trade union there may be found trade-conscious and class-conscious individuals. A labor organization, like any other association of human beings, may have simultaneously ultraconservative, liberal, and revolutionary practices. Moreover, unionism is a rapidly changing institution. An organization that in one period may be conservative may at a later period be revolutionary, and *vice versa*. In the process of social evolution the structure of unionism must necessarily be adjusted to changing functions. After all, structure or type of organization is mainly a means to an end. The machinery of control and administration is an agency in the achievement of immediate and ultimate purposes. The structure of unionism is integrated as its functions expand. In response to changing industrial conditions and con-

2. Hoxie, *op. cit.*, p. 51.

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sequent enlarging of functions, the structure of unionism passes from isolated craft associations to nationalization of these locals and ultimately into a federation or an amalgamation of trade organizations. Combination and integration in the industrial structure result in a movement for industrial unions, and often for "one big union" or federation.

FUNCTIONS OF LABOR UNIONS. So far we have seen that laborers organize for the purpose of effective bargaining with regard to matters concerning their wages and working conditions. Here we find the basis of American unionism. These functions are of such basic importance in a study of labor problems that it will be well to take them up in greater detail at this point.

1. *Wages.* Collective bargaining in industry is based upon the assumption that wage earners have a right to negotiate collectively with the employer, through selected representatives, concerning standards of wages, hours, physical conditions of work, and other phases of the employment relationship.

With regard to wages, unions seek to establish a minimum that will assure the workers a desirable standard of living and provide for the exigencies of sickness, disability, and old age. A measure of uniformity in the minimum for each trade or occupation is necessary in order to eliminate disastrous competition among the workers. As the Webbs have pointed out, the standard rate that unions seek to establish is not a maximum but a minimum.³

This attempt to compel acceptance of a fairly uniform rate of wages has been severely criticized as leading to equality of pay without reference to differences in individual productivity. Such a policy, it is urged, reduces all workers to the dead level of mediocrity. Unionists reply, however, that there is nothing in their agreements with employers to prevent payments above the standard minimum. Where piecework prevails, variations in pay tend, of course, to be automatic. Where time wages predominate, greater difficulties are involved and the efficient workman may get no more than the inefficient one. Under both systems

3. Sidney and Beatrice Webb, *Industrial Democracy*, New York, Longmans, Green, 1920, p. 279.

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of wage payment the minimum tends to become the maximum. This is so for two reasons. Employers will not pay rates above the minimum to the superior workmen if they can avoid it, because the greater productivity of these workers helps to make up for the lesser productivity of low-grade workers. Unionists, on the other hand, tend to be suspicious of workers who quicken the pace of production. There is an unmistakable feeling among unionists that the conscientious, industrious, but slow workman should receive the same pay as his more productive fellows. Under the piece-rate system they fear, with much reason, that a speeding up of production will result in a cut in the piece rate.

The union point of view is easily appreciated in this matter. Radical deviations from the standard minimum rate may cause serious difficulties. Speeding up by superior workers may cause a reduction in piece rates for the entire group under the piece-rate system. Even under the time-wage system wide variations in earnings tend to cause jealousy and dissension among employees. Control of wages is obviously not easily accomplished where wide departures from the standard rate are allowed. Unions do nevertheless allow differences in rates for what may be termed substandard workers, such as apprentices and old and infirm workers. Generally, however, the aim of unions is to establish a basic minimum of pay below which the rate for all may not go and above which the rate must be safeguarded to avoid excessive speeding up.

2. *Hours and Physical Conditions of Employment.* The ideals of unions concerning hours and physical conditions of work vary with changes in the technical organization and efficiency of industry. Progressive improvement in conditions of labor and a progressive reduction in the hours of labor, especially as technical changes in industry make this possible, are among the traditional demands of organized workers. The workers desire, moreover, to reduce to the indispensable minimum overtime, night work, and Sunday labor, and have insisted upon extra rates of compensation for such work. Although the six-hour day and the thirty-hour week still constitute the general ideal of labor in the matter of hours, recent years have witnessed a movement for the forty-hour week. As in the case of wages, each union endeavors to enforce a uniform rule concerning maximum hours. If individual work-

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men are allowed freedom in fixing their own hours, great confusion and disastrous competition result. For technical reasons the employer is quite likely to accept a uniform standard of hours, although he invariably desires a higher maximum than unions insist upon. Federal and state legislation passed within the last few years has aided labor materially in effecting a substantial reduction in hours.

Unions are naturally desirous of establishing safe and sanitary conditions of employment for their numbers, and they have done remarkably constructive work along this line. The sweatshop has largely disappeared from the clothing industry as a result of effective organization among the workers and the co-operation of socially minded persons holding the same point of view in this matter. Regulation of conditions of work so as to safeguard the health and life of the workers is a traditional ideal of organized labor. Trade agreements and factory laws embody the results of unionistic achievements in protecting the workers' interests in this respect.

3. *Control of the Shop.* Sometimes, but by no means always, labor organizations attempt to establish their own control of the shop. When this is done they desire to assume what is usually considered to be the employer's right of directing the activities of those on his payroll, and of dealing with the problems of personnel as they arise.

4. *Miscellaneous Aims and Ideals.* In addition to these basic aims and ideals, union labor is quite active in demanding certain economic, political, and social changes that are assumed to contribute to the welfare of labor and society. The increase of economic security through control of discharge, through the stabilization of industry and other methods of reducing unemployment, and through the provision for unemployment insurance, accident compensation, sickness insurance, and old-age pensions has had a large place in the program of contemporary unionism. Such reforms as a more equitable distribution of wealth and increasing democratization of industry have always been sponsored by organized labor.

Unions are keenly interested in certain political and legal reforms, such as municipal ownership of public utilities, universal suffrage, the abolition of state constabularies, and the initiative, referendum, and

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recall. The restriction of the power of the courts to issue injunctions in labor disputes and to nullify laws is one of the most insistent demands of American unionism at the present time. The abolition of child labor and the protection of women workers have always been urged by unions. Organized labor's program of social improvement includes such matters as adequate playground facilities, free education and free textbooks, and better educational equipment.

METHODS AND PRACTICES. How do labor unions strive to fulfill the general functions reviewed above, and what obstacles are counter-imposed by its employers?

1. *The Closed or Union Shop.*⁴ The national campaign by employers' associations for the so-called "open shop" has brought into bold relief an old struggle between organized labor and organized capital. Much of the controversy is confusing on account of the loose usage of terms by the disputants. The term "open shop," when used properly, refers to an establishment in which there is no discrimination between union and nonunion workers, and both may be employed. Sometimes the employer is friendly toward the union but refuses to make an agreement with it binding himself to any definite policy; or he may be either indifferent or neutral on the subject of unionism. The industrial relationship in such a shop is very free and likely to be unstable, since attempts will be made to unionize the shop. Other employers make an agreement or have a mutual understanding with the organized workers which stipulates that both union and nonunion men may be employed.

The term "closed shop" may likewise apply to various types of industrial relationship. The varieties of the closed shop include the anti-union shop, the closed shop with the open union, and the closed shop with the closed union. The anti-union shop is one in which the employer is frankly opposed to the organization of his workers and will not knowingly employ a union man. Indeed, he will discharge any union work-

4. The terms "open shop" and "closed shop" are currently misapplied in designating labor policies of employers. The proper terms should be *nonunion* shop and *union* shop, but because of their general usage, the terms "open shop" and "closed shop" are used throughout this discussion.

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man whom he finds in his establishment, if he dares take such action under present laws. This is the kind of shop that the "union smashing" employers' associations insist on maintaining. In accepting employment in such an establishment the worker has frequently been required to sign an affidavit stating that he is not a union man and agreeing not to join a union while in the employ of the company without the written consent of the employer. This is the essence of the so-called "yellow dog" contract. To prevent the employment of union workers, employment bureaus are often maintained. For all practical purposes this is a closed shop, that is, closed to union workers.

The closed shop with the open union is an establishment in which the employer is free to engage whomever he wishes, but new workers are required to join the union immediately. The union is recognized and formal collective agreements are made between the employer and the organized workers as the official collective bargaining agency for all members of the organization. This is really a preferential union shop. It exists where the employer, fearing union domination, prefers not to establish a complete union shop, and the workers, fearing nonunion men, will not accept the open shop. In employing new men, preference is given to union workers, but if the union cannot fill the vacancies other workers may be engaged. In case the nonunion worker refuses to join the union, the organized workers can secure his removal from the shop as soon as a union man of equal skill is available. This plan existed for many years under the protocols in the clothing industry of the United States.

The closed shop with the closed union is an establishment in which only union men may be employed and where union membership is difficult to secure. New employees are furnished upon application to the business agent of the union, and in case a worker loses good standing with the organization the employer agrees to discharge him at the request of the union. Membership in a closed union is difficult to obtain on account of exorbitant initiation fees, rigid apprenticeship regulations, and unreasonable entrance examinations. By these means an effective labor monopoly is established.

Since the open or neutral shop is unusual and difficult to maintain,

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the controversy between employers' associations and labor organizations in the United States is essentially one concerning the merits of the union and the anti-union shop. Experience indicates that the advocates of the so-called open shop, or American plan, do not desire a legitimate open or neutral shop, but rather the destruction of unionism and the establishment of shops closed to union workers. Generally speaking, all industrial establishments are either union or nonunion shops. The union shop is one in which the wages, hours of labor, and conditions of work are determined by joint agreement between the employer and the trade union. The nonunion shop is one in which there is no joint agreement, and the labor contract is determined arbitrarily by the employer.

Militant employers' associations oppose the union shop on a number of grounds.⁵ Such a shop, it is urged, deprives nonunion workers of their natural, constitutional right to sell their labor under any conditions they deem acceptable and takes from the employer his right to run his business as he sees fit without the interference of outside agencies. It tends to reduce all workers to the dead level of mediocrity by regulating output and insisting upon uniformity of wages, without regard to differences in workmanship and efficiency. It results in monopoly of labor and destroys free access to the competitive labor market. All of these disadvantages and a great many more are said to be removed from the nonunion shop.

These objections are not particularly convincing to loyal trade or industrial unionists. To them the union shop is necessary to make collective bargaining effective and to prevent infraction of union rules by unscrupulous employers. The interests and welfare of the organized majority, it is urged, should not be jeopardized by a nonunion minority that is ignorant of the advantages of collective bargaining and has refused to assume a just share of the financial burden incident to securing higher wages, fewer hours, and better conditions of work. The right of the employer to run his business as he sees fit is no longer an absolute right, since the state, through the exercise of the police power, has limited that right by such social measures as workmen's compensation, factory

5. Also see a full discussion of the activities of employers' associations as presented in Chapter 26.

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inspection, minimum wage and maximum hour laws, and the National Labor Relations Act. In standardizing output and wages, trade unions merely exercise the same business privilege that every employer enjoys in standardizing the quality and price of his product and adjusting the supply for the purpose of assuring solvency and profits. The employers' interest in the nonunion workmen and in the welfare of the public is camouflage and effective propaganda for the anti-union shop.

Social considerations must ultimately determine the relative merits of union and nonunion shops. The open-union shop is in no sense monopolistic, since every effort is made to induce nonunion workers to enter the union. Monopolies limit supply in order to maintain or increase price; open trade unions make no attempt to limit supply, but rather strive to increase the number of organized workers for the purpose not of establishing a monopoly price for labor but of securing for the workers a full competitive price. Fair competition cannot exist between helpless individual workers and powerful employers. Membership in an open union, it has been suggested, is like citizenship in a democracy, in that both have minimum requirements of admission and anyone may join who meets the standards.

Labor's case for the closed shop with the closed union rests on no such justifiable basis. Impartial judgment condemns this type of shop as autocratic, economically unsound, and socially indefensible. It functions in the interest of a privileged few, puts a premium on economic inefficiency, and discriminates against capable workmen who are willing to assume the responsibilities of union membership but are kept out by unreasonable restrictions. Equal condemnation can be heaped upon the anti-union shop. The use by employers of the spy system and "yellow dog" contract to keep out union workers and organizers results in coercion and intimidation that destroy the spirit of liberty. The nonunion shop, moreover, is undemocratic in that it denies the workers an independent voice in the control of industry and often forces them to surrender their right of union membership. The closed nonunion shop is difficult to detect, because employers can do surreptitiously what unionists, on account of their numbers, must do openly.

Highly skilled trades with prolonged periods of apprenticeship do not

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find it necessary to demand a union shop. Unions of unskilled workers, however, especially in the United States, where cheap immigrant and Negro labor has been a serious competitive factor, find in the union shop a necessary defense against deterioration of the wage scale and other conditions of employment. Under such circumstances the union shop should be established, provided there are no restrictions on admission to the union. If, on the other hand, the union shop proves economically inefficient and unfair, it can hardly receive social sanction.

2. *The Strike.* Standards of wages, hours, and conditions, as well as the union shop and other provisions determined through collective bargaining and embodied in the trade agreement, can be safeguarded only when unionism is effective. Unionism can be effective only when it has sufficient power to enforce respect for its standards. This power is assumed to exist in such weapons as the strike, picketing, boycott, and union label.

A strike is a cessation of work by a combination of wage earners for the purpose either of enforcing certain demands for improved conditions of employment or of maintaining conditions that already exist. From the point of view of the wage earners, strikes may be positive or negative, depending upon the conditions that give rise to the cessation of work. If the strike is initiated by the employees for the purpose of making effective their demands for improved conditions of labor, it may be said to be positive. If, on the other hand, the concerted agreement on the part of the employees to stop work is an effort to maintain prevailing standards of wages, hours, and physical conditions of employment, the strike is really a protest against changes initiated by the employer and may be called negative. Another classification of strikes is that proposed by the Massachusetts Bureau of Labor, according to which cessation of work resulting from the initiative of employers in effecting readjustments in the conditions of employment is known as a "defense strike," and a cessation of combinations of employees for the purpose of securing better conditions of employment is called an "attack strike." It will be seen that the attack strike corresponds to the positive strike, while the defense strike is similar to the negative strike. In both classifications the nature of the strike depends upon which of the parties, em-

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ployer or employees, is the originator of the demands that cause the cessation of work.

Strikes may be local, national, or international in scope. Local strikes may be operative in a given trade or local industry in a limited area, as a city, state, or district. National strikes are those which take place in a whole industry, such as coal mining or transportation, and are operative throughout the country. An international strike is one that involves an industry in more than one nation, such as a concerted stoppage of work in the same industry in the United States and Canada. In recent years the terms "general strike" and "outlaw strike" have invaded the vocabulary of labor economics.⁶ The term "general strike" is used chiefly by radical elements in the international labor movement to designate a complete cessation of work in all industries. Its object is to protest against the actions of capitalist-employers, or to secure certain industrial and political advantages, or to achieve the revolutionary objective of destroying present industrial and political institutions and establishing in their stead a socialistic order. An outlaw strike is one called in defiance of a refusal of official sanction by a union and is usually initiated by a militant minority. Another type is the "sympathetic strike," which is the cessation of work by wage earners in an occupation or industry having no grievance with their own employers, in order to aid the workers on strike in another trade or industry.

The newest forms of strikes are the "sit-down" strike, in which workers peacefully stay at their work places for days at a time, refusing to leave the company property as well as refusing to work, and the "slow-down" strike, during which workers remain at their jobs but deliberately slow down their operations to only a fraction of their normal daily activities. These forms of unionized action have provoked much alarm and resentment on the part of employers,⁷ and were used to such an extent during 1936, 1937, and 1939 that they gained much public disfavor. It is

6. See also the definition used in *Strikes in the United States, 1880-1936*, Bulletin no. 651, U. S. Department of Labor, Washington, 1938, pp. 3-5.

7. See, for instance, the presentation made on June 27, 1939, before the Senate Committee on Education and Labor by William J. Cronin, Secretary of the Manufacturers' Committee, Automobile Manufacturers' Association.

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now generally agreed that the sit-down strike is unlawful, but the legal status of the slow-down strike remains to be determined.

The employers' counter-weapon for the strike is the lockout, which may be defined as a refusal on the part of an employer, or a group of employers, to allow some or all of the employees to work until specific demands are conceded. The strike and the lockout are similar in that both result in a temporary stoppage of work, the essential difference being that the strike is declared by the employees while the lockout is put into operation by the employers.

Strikes will succeed only if union workers can prevent competing laborers from taking their jobs. This is usually done through picketing, which takes place when the persons who are out on strike endeavor to persuade other workmen not to accept or continue employment with the particular employer or employers involved in the dispute. Pickets or patrols are stationed about the establishment in which the controversy has developed. Strikebreakers are anathema to loyal unionists and are usually referred to in uncomplimentary terms, such as "scabs."

The genesis of the strike as a weapon of industrial warfare cannot be determined definitely. "Strikes are as old as the wage system itself, and the slave insurrections, peasant revolts, and labor wars which frequently occurred before the emergence of the wage system prove the existence in that earlier epoch of all the elements of the strike save those which arise from that system itself."⁸ There are evidences of strikes in Great Britain and on the continent of Europe as early as the fourteenth century. The earliest strikes in America of which we have any record took place in the middle of the eighteenth century, probably about 1741, when the journeymen bakers of New York City demanded an increase in wages.

With the development of our complex industrialism, strikes have assumed an increasingly important role among the weapons of labor. The number of strikes, the number of persons and establishments involved, and the duration of strikes may be such as to cause serious disorganization in many industries. For example, in the United States alone between

8. T. S. Adams and H. L. Sumner, *Labor Problems* (Macmillan, 1905), pp. 176, 177.

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January, 1933, and January, 1939, inclusive, there were not less than 14,857 strikes involving almost as many establishments and over 7,000,000 persons. These disputes resulted in a loss of time exceeding a total of 100 million man-days. Approximately one-half of the controversies resulted in favor of employees, one-fourth in favor of employers, while one-fourth ended in a compromise.⁹

Statistical analyses of strikes in the United States lead to a number of interesting conclusions.¹⁰ As might be expected, the major number of strikes and lockouts occur where the workers are organized. Unorganized workmen are not in a position to press their demands. Wages, hours of labor, and recognition constitute the principal causes of disputes. Strikes tend to increase in number and duration and to involve a relatively greater number of strikers in proportion to the wage-earning population. There is apparently a cycle of strikes related to the cycle of business. During a period when the long-run trend of prices is downward, such as 1881-1897, strike movements tend to increase in years of depression and to decrease in years of prosperity. During such periods labor is generally on the defensive, especially in years of depression. On the other hand, when the long-time trend of prices is upward, as between 1898-1919, strikes increase in years of prosperity and decrease in years of depression. This is due to the fact that in years of business prosperity labor assumes the offensive to increase wages and reduce hours, largely because of the enhanced cost of living, while in years of business depression labor resorts to the defensive strike.¹¹

A rational explanation of the trends of strikes is not difficult to obtain. In periods of industrial activity employers are anxious to keep up production in order to secure as large as possible a share of profits; consequently they are willing to adjust grievances without resort to a cessa-

9. See *Strikes in the United States*, *op. cit.*, p. 68, and "Analysis of Strikes in November, 1938, with Trends for 1933 to January, 1939," *Monthly Labor Review*, vol. 48, March, 1939, pp. 624-34.

10. See, in addition to *ibid.*, Paul H. Douglas, "An Analysis of Strike Statistics, 1881-1921," *Journal of the American Statistical Association*, vol. xviii, September, 1923, pp. 866-77; and Alvin H. Hansen, "Cycles of Strikes," *American Economic Review*, vol. xi, December, 1921, pp. 616-21.

11. Hansen, *op. cit.*, pp. 616-8.

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tion of work. In years of industrial depression production is curtailed, men are seeking jobs, and employers are not afraid to risk a strike. Strikes called in the absence of effective organization almost invariably fail. The occupations in which strikes occur most frequently are the building trades, mining, metal trades, transportation, the clothing trades, and recently the textile, steel, rubber and automobile industries. More than one-half of the strikes and lockouts occur in the leading industrial states of New York, Pennsylvania, Illinois, Massachusetts, and Ohio. It must be remembered, however, that artificial forces, such as a law protecting workers in their rights of collective bargaining or in striking, may seriously alter what otherwise would seem to be a close correlation between the business cycle and strike activity.

Wage earners as a class probably gain more than they lose as a result of strikes that end in their favor, and employers as a class doubtless gain more than they lose as a result of lockouts won. Whatever advantages may accrue to employers and employees from industrial warfare, the public, which is not directly involved in the dispute, receives no such benefits. Experience has shown that, while the losses resulting from strikes and lockouts are very large, it is impossible, except in a few isolated cases, to measure these wastes. Employers' associations often make extravagant estimates of the losses incurred, but these are discounted by impartial investigators. "Even an exact statement of the time lost through strikes, and the amount of money losses in wages, interest, and profits due to stoppage of work, were such a statement possible, would give a very inadequate idea of the real cost to the worker, the employer, and the community in general, and the elaborate calculations of costs of strikes which make their appearance from time to time, generally under the title of estimates, are but mere guesses by the compiler, not statistical in character, and frequently incorrect in their conclusions."¹² Wage earners, nevertheless, lose hundreds of millions of dollars every decade on account of strikes.

In interpreting wage losses in strikes, it must be remembered that a large number of strikers who find work elsewhere earn considerable

12. E. L. Whitney, "Costs of Strikes," *Monthly Labor Review*, vol. xi, September, 1920, pp. 593-600. Also see *Strikes in the United States*, *op. cit.*, p. 11.

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money pending settlement of the disputes, and that in victorious strikes the workers usually receive increased wages that compensate for losses incurred by the walkout. It has been found, moreover, that most strikes occur in irregular or seasonal industries, and that time and production losses caused by disputes are made up by increased production at other periods of the year. Time lost on account of strikes and lockouts is insignificant compared with that resulting from other causes, such as unemployment, illness, and accident.¹³

3. *Picketing*. As previously suggested, the effectiveness of strikes depends upon the success of the strikers in preventing the employer from securing new employees to take their places in the plant. Peaceful picketing was legalized in Great Britain by the Trades Dispute Act of 1906 and is generally considered legal in the United States, although there is a marked difference of judicial opinion. The use of persuasion has generally been held legal, but intimidation and coercion have been condemned. On December 5, 1921, Chief Justice Taft delivered an important opinion on the subject of picketing, giving what has been characterized as the most complete statement of the law yet enunciated by the Supreme Court of the United States.¹⁴ In the case under consideration, violent methods appear to have been used, and the attitude of the picketers was said to have been continuously threatening, with the result that employees and would-be employees were put in fear, and the operation of the plant was obstructed.

According to the opinion of the court, there are limits beyond which even persuasion and communication may not go without violating the right of those who are to be influenced. Protection from annoying importunity and intimidation is said to be the primary right of the employees in their choice to work for whom they will, while the employer is also entitled to free access to his employees as an incident to his property and business. "In going to and from work, men have a right to as free a passage without obstruction as the streets afford, consistent with the right of others to enjoy the same privilege." Peaceful com-

13. See estimates made in Chapter 7, p. 173.

14. *American Steel Foundries v. Tri-City Trades Council*, 42 Sup. Ct. Rep., 72. Also see Chapter 31.

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munication is sanctioned, but "if . . . the offer is declined, as it may rightfully be, then persistence, importunity, following and dogging become unjustifiable annoyance and obstruction which is likely to savor of intimidation." The number of persons permitted to be stationed at each point of ingress and egress was limited to one, with the "right of observation, communication, and persuasion but with special admonition that their communication, arguments, and appeals shall not be abusive, libelous, or threatening, and that they shall not approach individuals together, but singly, and shall not in their single efforts at communication or persuasion obstruct an unwilling listener by importunate following or dogging his steps." This, however, is not to be laid down as a rigid rule, but each case must be considered on its own merits. The opinion was everywhere heralded as a severe defeat for trade union methods.

Regardless of the question of legality (which will be taken up more fully in a later chapter), picketing continues as an important labor weapon in industrial warfare. Picketing involves the presence of striking workers or their union brothers who pace back and forth before the place of business of an employer considered "unfair to organized labor," in the hope of being able to persuade peacefully other workers not to work in the establishment, and customers not to do business there.

4. *Boycotts.* The term "boycott" usually applies to the action of a combination of wage earners in refusing to continue dealings with an employer and in attempting to persuade or coerce third parties to refuse patronage and dealings. There are several kinds of boycotts. The primary boycott is a simple combination of workers for the suspension of all dealings with an employer whose policies and methods are unacceptable, but involves no effort to persuade or coerce third parties. The secondary boycott consists of unified action on the part of workingmen to induce or persuade a third party, usually a merchant who sells the commodities produced by the employer primarily boycotted, not to continue business relations with the person or persons against whom the grievance is held. Other types of boycott include the compound, the positive, and the negative boycott. The compound boycott takes place when workingmen use coercion and intimidation, as distinguished from

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persuasion, for the purpose of breaking off business relations between a third party and a boycotted establishment, with the result that threatened or actual financial loss or physical injury occurs. The positive boycott is the application of the "fair list" or union label to products of firms whose labor policies are endorsed by organized labor, and its purpose is to confine the patronage of union labor to such establishments. The negative boycott consists in publishing in the official organs of union labor the "unfair list," or names of firms whose attitude toward and dealings with organized labor are unacceptable. Its purpose is to divert all union patronage from them. Legally, boycotts are usually distinguished as primary and secondary. In the courts it is the secondary boycott, expanded to include the compound boycott, that is important, the significant factor being the third party.

5. *The Union Label.* In addition to strikes, picketing, and boycotts, organized labor attempts to promote the cause of unionism by creating a demand for union-made goods. This is done by means of the union label, which consists of a union stamp upon the product. Only employers who maintain union standards of labor are authorized to use the label. The union label, therefore, has come to signify to the workers superior quality of material, sanitary conditions of production, reasonable wages, a fair workday, and the absence of child labor, prison labor, and other forms of cheap labor.

The union label originated in a protest against Chinese labor in California. Cigar making proved an attractive field for the Chinese, who flocked to it in large numbers in the early seventies. As a means of limiting the employment of yellow labor in their trade, the white cigar makers of San Francisco adopted a "white" label, which was attached to boxes containing cigars made by white labor. This was not a union label as the term is now used, since it was adopted by all manufacturers employing white workers, regardless of union affiliation, but the idea originated with the union cigar makers in 1874. The inception of the union label is found among the cigar makers of St. Louis in 1878, who were out on strike for improved conditions and found it necessary to secure public support by differentiating between union-made and nonunion-made cigars. A red label was attached to all boxes containing

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union-made cigars. The union label is now widely used. An increasing number of unions affiliated with the A. F. of L. are using a label, and one of the departments of the federation, the Union Label Trades Department, is doing much to promote the sale of union-made goods.

The unions that use a label claim many advantages for it. It represents peaceful collective bargaining and forbids both strikes and lockouts except as a last resort. It accomplishes by peaceful means and at little cost what the strike and the boycott achieve at great cost and sacrifice. The label affords a guarantee that the wages earned under union conditions are spent on union products and for the maintenance of union standards. Unionists are convinced that this device enlists the co-operation of housewives of the nation in the cause of labor and national welfare and brings under one standard all the forces that are opposed to such evils as the sweatshop, tenement house production, and unsanitary factory conditions.

Under the common law the union label is not afforded the protection of the trademark, and no injunction can be issued to restrain its unauthorized use, but it is generally given the protection of statute law. Laws passed to give the union label recognition have usually been held constitutional, and not class legislation as those who oppose it contend. Appellate courts have sustained the action of the lower courts in establishing the legality of the label. In its important decision in the Coronado coal case in June, 1922, the United States Supreme Court stated: "The so-called union label, which is a quasi-trademark to indicate the origin of manufactured products in union labor, has been protected against pirating and deceptive use by the statutes of most of the states, and in many states authority to sue to enjoin its use has been conferred on unions."

6. *Restriction of Membership.* The extent to which trade unions restrict their membership is difficult to determine. There are certain conditions of entrance, including the payment of initiation fees, agreement to pay regular dues and assessments, adherence to the provisions of the constitution and by-laws, and a willingness to remain loyal to the organization. Skilled trades require a certain degree of trade proficiency, and some organizations, such as the musicians' union, prescribe an en-

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trance examination. Most frequently, however, the completion of an apprenticeship term of two or three years is the basic test of admission to the union. The monopolistic character of unionism develops from its attempt to control the supply, and consequently the price, of labor in given trades and occupations. Unions are exclusive monopolies when they keep out prospective members by exorbitant initiation fees and other barriers. Sometimes a very high initiation fee is charged, but such fees are rare. A common practice is the refusal of admission to new members when old ones are out of employment. Most labor organizations may be characterized as "open unions," that is, having no unreasonable limitations on membership. Sex, race, color, and nationality have been reasons for exclusion, but a somewhat broader policy is gradually being introduced. If labor organizations are to be described as monopolies, they are really very inclusive ones, since organizers are employed, literature is disseminated, public meetings are held, and even coercive methods are applied to bring nonunion workers within the organization.

7. *Limitation of Apprentices.* The apprenticeship system is a product of the handicraft stage, when the master, journeyman, and apprentice constituted the industrial unit, and skill was not supplemented by machines. The law usually required a seven-year apprenticeship, designed to safeguard entrance to the trade, thereby improving the product and protecting skilled artisans from "illegal men." Machine methods introduced by the Industrial Revolution destroyed much of the monopoly of craftsmanship. The apprenticeship system was soon taken over by trade unions as a means of limiting the supply of skilled labor and of maintaining a desirable wage scale. Except for certain trades and professions where, in the interest of public welfare, the law requires training and proficiency, apprenticeship regulations are now generally prescribed by the union. The restriction of apprentices is general and in some cases appears to be extreme and unfair, resulting in something approaching an exclusive monopoly. The ratio of apprentices to journeymen is often one to ten, but more commonly one to five, and the term of apprenticeship is two or three years.

Trade union regulation of apprenticeship is not always successful, and

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many of the stronger organizations demand only a definite standard of trade proficiency as the condition of membership. The apprenticeship system is apparently no longer indispensable to the life of trade unionism. As the Webbs have observed: "So far from apprenticeship regulations forming a necessary part of trade unionism, a positive majority of the trade unionists now belong to occupations in which no shadow of apprenticeship has ever existed. . . . Undemocratic in its scope, unscientific in its financial aspects, the apprenticeship system, in spite of all the practical arguments in its favor, is not likely to be deliberately revived by modern democracy."¹⁵ Although there is grave danger that minute specialization will result in a dearth of highly skilled workmen, the automatic machine and similar technological changes in industry are greatly reducing the need for skilled workers. What need there is now for this type of training is largely being met under the National Apprentice Training Plan, of which the Federal Committee on Apprentice Training is the sponsor.¹⁶ As long as the federal government continues to take an active part in this apprenticeship program, labor can be reasonably assured that it will not be exploited; the employer can be equally assured that advantage will not be taken of him by a greedy union.

8. *Restriction of Output.* Unions are accused of limiting output in a number of ways. In the building trades, for instance, some painters' unions have not allowed the use of a brush wider than four and one-half inches for oil paint, although for certain classes of work a wider brush is more economical. Plumbers' unions and steamfitters' unions have often prohibited the use of bicycles, motorcycles, automobiles, and vehicles of all sorts during working hours. In some sections of the country these unions demand that all pipe up to two inches shall be cut and threaded on the job. Brick masons insist on washing down and pointing brickwork, when laborers could do it more economically. For these practices unionism is condemned as putting a premium on laziness, inefficiency, and dishonesty and as reducing all workers to a dead level

15. Webb and Webb, *op. cit.*, pp. 476, 481.

16. For a full discussion of this program, see Gordon S. Watkins and Paul A. Dodd, *The Management of Labor Relations* (McGraw-Hill, 1938), pp. 410-1.

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of mediocrity. As we shall see in the succeeding chapter, many unions are abandoning these practices and co-operating with management to increase production.

Unionists have justified limitation of output on three grounds: experience, "lump-of-work," and humanitarianism. The experience argument states that, whenever there has been increased efficiency and output by a few workers in a trade, the employer has invariably proceeded to reduce the general level of wages. Under the piece-rate system an increase in the number of pieces per worker per day has been followed by a reduction in the rate per piece. Consequently, organized labor favors the time-wage and standardization of speed. The lump-of-work argument is that a given amount of work is required and that this quantity of labor will be performed regardless of the expense involved. It follows, therefore, that the workers can consciously increase the time requirement by withholding maximum effort, thereby providing an extended period of employment.

The humanitarian or "health-of-the-worker" argument is that excessive speed and pacemaking are deleterious to the health of the worker. The employer thinks in terms of output per unit of time, and is little concerned that speeding will throw the workers upon the scrap heap to be supported by charity. The worker thinks in terms of life output; the longer he lives the greater will be the total product of his labor. To a very large degree seasonal and recurrent periods of unemployment are responsible factors in limitation of output by the workers. Production is restricted, moreover, by corporations and other producers. In the building trades, for example, contractors and supply dealers have restricted production by maintaining high prices, by collusion in bidding, by unfair practices, and by agreements with labor. Modern monopolies limit or destroy supplies of commodities to maintain prices and to swell profits. Every year wholesale destruction of fruits and vegetables is resorted to for the purpose of creating a scarcity price.

The economic fallacy of restriction of output, whether by employers or laborers, is that limitation of supply enhances price, which in turn reduces demand. A falling off in demand necessarily means the slowing up of production and a decrease in profits and wages.

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9. *Hostility to Machinery.* Trade unions are often charged with restricting the use of machinery and prohibiting the use of the best and most efficient machines. As indicated in our discussion of machine technology and the worker,¹⁷ labor-saving devices have frequently been looked upon by the workers as monstrous intrusions upon their skill and a cause of unemployment and low wages. Wholesale destruction of new machines was a common practice in the early years of machine industry. In more recent times also, unions have refused admission of machine workers and have bitterly opposed new mechanical devices. The opposition of the musicians' union to sound recordings of orchestral music for motion picture theaters illustrates this attitude. The workers have gradually learned, however, that the introduction of machinery may increase the demand for labor, and that the fight against the machine is almost always hopeless. Consequently, a policy of regulation is being substituted for restriction. The new policy is to demand that only union men shall operate the machines and that the machine scale of wages shall be as high, if not higher, than that paid for hand work.

JURISDICTIONAL DISPUTES. Throughout its history trade unionism has been threatened with disruption because of disagreements among the various labor unions concerning their proper boundaries. Frequent and costly strikes, injustice and economic loss to employers, and injury to the prestige of unionism have resulted from these controversies. The lines of division between trades in the complex structure of modern industry are often imperceptible; with increasing specialization and subdivision of tasks it is a difficult problem for unions to determine where the jurisdiction of one begins and another ends. Each year the proceedings of the American Federation of Labor contain numerous cases of jurisdictional quarrels, and union officials are constantly perplexed. This problem has become increasingly perplexing with the growth of the Congress of Industrial Organizations.

Jurisdictional disputes may be classified as territorial or geographical, intertrade, and organization. Organization disputes are further divided into those arising from minute specialization of tasks and those developing from a conflict between trade unions and industrial unions.

17. See Chapter 6.

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During the rise to power of the C.I.O., such disputes have been a constant source of strife and struggle, partly because of the implications involved in the "stealing" of locals by one of the national federations from another, and partly because of the uncertain boundary lines of the older unions. Disputes arise when two or more unions come into conflict over the territorial limits of their authority. As locals are absorbed by nationals, adjustments are made by the latter. Sometimes national unions in the same or allied trades may disagree over the area of organization. Intertrade disputes are by far the most general. They develop when one or more trades pass the "dead line" and perform tasks that are claimed to be within the jurisdiction of another craft. These occur most frequently in the building trades, where jurisdictional quarrels cause one-quarter of the total number of strikes. The carpenters object to plasterers putting in laths, because this involves the use of wood and the driving of nails. Electricians and plumbers who bore holes through wood for the laying of conduits or pipes incur the displeasure of the carpenters' union. Construction electricians quarrel with maintenance electricians over jurisdiction.

Several solutions for jurisdictional disputes have been attempted. To promote strict adherence to trade lines, trade unions specify in their constitutions and laws what they consider to be the exact demarcations of the trade. Tribunals for the adjustment of jurisdictional disputes have been organized. The executive committee of the American Federation of Labor refuses to assume responsibility for the settlement of these grievances, but encourages the formation of special committees and tribunals. National boards for jurisdictional awards have sometimes been created.

Amalgamation and industrial unionism, with the abolition of craft unionism, tends to destroy craft consciousness and, therefore, to eliminate craft quarrels. Ultimately, the solution lies with the unions themselves. Mr. Gompers suggested that the elimination of craft disputes is impossible, and that the essential element in the lessening of disputes is the development of a spirit of fraternity. It may be that the industrial union will demonstrate, in time, the advantage of this type of organiza-

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tion in the lessening of jurisdictional disputes. However, this has not yet been the case.

VIOLENCE AND FORCE IN STRIKES. Generally speaking, strikes and lock-outs in recent years have not been accompanied by the degree of violence and loss of life that characterized the early struggles between labor and capital. But there are many notable exceptions. Fresh in the minds of many persons are the serious consequences of guerrilla warfare in the coal fields of West Virginia and Kentucky, the mine massacres at Herrin, Illinois, the early conflict in the coal areas of Colorado, the struggles between steel and automobile workers and their employers, and between several divisions of the maritime unions and the shipowners. Serious spasmodic violence involving injury or loss of life has appeared in the building trades disputes in New York, Chicago, and San Francisco, and in the clothing industry in many cities, where "stench" and "acid" bombs have been used generously to force a closed shop. Picketing miners have been shot down by mine guards in recent struggles in Pennsylvania and Kentucky. Riots have occurred in the vegetable and fruit farming industries. On the other hand, with one or two exceptions, there was comparatively little force and violence in the great steel strikes of 1937, the rubber strikes of 1937 and 1938, and the coal strike of 1939. Union officials invariably have urged the workers to conduct the strikes peacefully.

Unlawful disturbances have been incited by unreasonable interference with free and peaceful assemblage by corporation-controlled public officials, by extensive systems of labor espionage, by the employment of professional thugs to break strikes, and by a radical labor minority who have encouraged the injury of strikebreakers. The apparent diminution in the use of force in connection with strikes and lockouts may be attributed to a number of conditions. Employers appear to close their establishments during a disturbance and employ strikebreakers in fewer cases than formerly. Public opinion now generally condemns the employment of unlawful methods in industrial disputes. Employers' associations and labor organizations manifest a strong desire to obtain the good will and sympathy of the public, which are alienated by the use

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of violence. Finally, labor legislation recently enacted prohibiting many unfair practices has done much to restrain the employer and employee from entering into activities which often in the past have led to industrial warfare. These developments will be considered in greater detail in several chapters which follow.¹⁸

UNION RACKETEERING. The charge of labor racketeering, so frequently made against labor organizations, suggests at least three points of view. To the anti-unionist employer all organization of labor resulting in labor practices or demands which cost him more money in wages or benefits is "union racketeering." To the casual observer "union racketeering" is composed of any and all questionable labor practices which tend to inconvenience the public or to advance the prices of products. To the labor union member, and, in fact, to all workers regardless of union affiliation, "union racketeering" consists in practices of corruption and dishonesty profiting only a few union members and leaders at the expense of many members and laborers in general. We are here concerned with a consideration of the last concept of union racketeering, since the other two represent popular misconceptions of union functions and methods.

Racketeering is an old practice and is not confined to labor unions. A by-product of business and commerce, it is a potential evil in practically every line of economic endeavor. It is an arm of crime and lawlessness so important that the Seventy-third Congress of the United States found it advisable to pass a resolution (Senate Resolution 74) calling for an investigation of so-called "rackets" in the beer, poultry, milk, food, laundry, and drug industries, and into "schemes for the exploitation, deception, and terrorizing of our citizens."¹⁹ Important among these "schemes" are those involving labor racketeering.

How widespread labor racketeering is throughout the United States is extremely difficult to determine. A search of the results of investigations recently made, including the Moody investigation in Oregon, the Dewey investigation in New York City, and the Congressional investigation referred to above, results in rather sketchy findings suggesting that

18. See particularly Chapters 26, 27, and 30.

19. United States Congress, Senate Committee on Commerce, *Investigation of So-called "Rackets" Hearings*, vol. i, part i, p. 1.

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the picture of union racketeering in this country has probably been exaggerated by an anti-union press and popular newspaper authors. Even in these accounts, however, sufficient evidence is presented to show that the practice is far too widespread for the good of all concerned, and that its abolition is not only highly desirable for the public welfare, but is imperative for the future of the American labor movement.

Union racketeering is revealed by a number of different practices which fall generally within one of two broad classifications: either corruption and graft carried on by unscrupulous racketeers similar to those found in all other lines of business activity, or unfair and dishonest practices promoted by the union itself. There is a great difference between these two types of union racketeering. Corruption and graft carried on by gangsters within the union persist in spite of labor organization; that is, these practices are *extra-union* and take place because of the character of those individuals who work their way into official positions within the union rather than because of any general union policy democratically approved by the rank-and-file membership. The names of Howell L. Broach, Louis Rogoff, "Jake the Bum" Wellner, the Amberg brothers, Patrick J. Commerford, "Umbrella Mike" Boyle, Joseph N. Weber, and Tom Maloy²⁰—all familiar to organized labor in Chicago and New York—bespeak the way in which many racketeers have made easy prey of innocent labor unions and have carried over their lawless activities to labor organizations. The American labor movement cannot in fairness be blamed for the criminal operations of gangsters who work their way into the labor union through the autonomous form of government which is held in such high regard by most union members. The principles of democracy set forth in the charters of almost all local organizations make each peculiarly susceptible to these high-handed methods of the professional gangster.

The tactics of the labor union gangster are easily discernible to those versed in union activities. With great deceit and cunning these operators go about selling "strike insurance" to victimized employers, collecting

20. See *Hearings before a Subcommittee of the Committee on Commerce*, vol. 2, part i, and Edward D. Sullivan, *This Labor Union Racket*, for full accounts of the dealings of these men.

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heavy dues and "special assessments" in czarist fashion and without record from a helpless membership, issuing unauthorized union cards, embezzling thousands of dollars of hard-earned union funds, and "pulling strikes" in order to make a record for themselves. In the face of these methods ordinary union members are usually slow in recognizing the tricks of their racketeer gangster leaders. Even when they do apprehend the true nature of affairs, often they do not dare protest for fear of their lives or the safety of their homes and welfare of their families. A number of these labor racketeers are now serving sentences for their crimes. But great damage is done during their "reigns of terror," and many are able to evade or avoid the law without being brought to trial.

There is a form of union racketeering which labor itself sometimes sponsors and for which it must be held responsible. This type is composed of the ordinary union racketeering practices initiated and carried on by the rank-and-file under the leadership of chosen officials. Important within this group is the practice of disregarding working agreements and contracts whenever the union finds it advantageous to do so, in violation of the terms of such agreements voluntarily entered into between themselves and their employers. At times the union is guilty of the imposition of unreasonably high initiation fees in order that the supply of labor will be so restricted as to impose unfair costs or losses upon employers. Sometimes local or national unions have hired strikers and pickets who have no interest or concern in a labor dispute, and have imported "beef squads" or "goon squads" to administer acts of physical violence to union or nonunion workers who dare to ignore union orders. Still another practice which sometimes resembles this form of racketeering involves the calling of strikes and the launching of intimidation campaigns to place in force a closed shop and a check-off system under which a worker must take out union membership in order to hold his job and must agree to have his union fees deducted from his pay check, or run the risk of being attacked on his way home from work. The evil here is not in the check-off system itself, but rather in the force and intimidation exerted by the union in trying to gain its adoption.

Those familiar with the labor movement are well aware of the exist-

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ence of this second form of labor racketeering. These practices are to be deplored, and must be condemned along with the unfair labor practices of employers to be considered in a later chapter.²¹ Even though their true extent is usually overstated by popular accounts in press and book, the unions themselves will have to cope more effectively with the situation if they wish to avoid the enactment of laws setting up standards of union practice or requiring incorporation of all labor unions. Violence, corruption, dishonesty, or graft cannot be condoned in any form, and the long-suffering public is now demanding that labor organizations put their own houses in order or stand aside and have it done for them.

Questions for Class Discussion

1. Upon a basis of functional classification, what type of unionism does the average employer choose to deal with, or what type does he usually object to dealing with least?
2. Discuss fully the chief functions of labor organizations. Are all of these commendable, from the public's point of view? Which are least commendable? Which are most objectionable as measured by their influences upon wages and national income?
3. What methods and practices of organized labor are easiest, from the economic point of view, to defend? What ones are most difficult to defend? Does unionism consider the public's approval or disapproval in pursuing its objectives?
4. Under what conditions can you justify the strike? When is this action antisocial? Is it ever the least costly way for labor to gain its ends? How often would you say it is the most costly method?
5. Are strikes, lockouts, picketing, and other such means of action more or less common today than in the past?
6. Discuss critically the effects of the union's limitation of apprentices upon the (a) wages and (b) production costs within the enterprise directly affected. What would tend to be the influence of such a program upon competitive wage levels outside the enterprise directly affected?
7. To your knowledge has labor often been guilty of a deliberate restriction of output? Without attempting to justify such action can you offer any rational explanation for it? What counteraction has the employer been guilty of?

21. Chapter 26.

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8. Why do jurisdictional disputes among labor organizations arise? Are they inevitable? Do they promise to increase in numbers in the future? What influence do they have upon the earnings of labor union members and the wage costs of employers?

9. Why does labor sometimes become violent and forceful in its struggle against its foes? Can such action ever be justified? In such times does labor have an obligation to the public?

10. Discuss two different types of union racketeering. How prevalent is this practice? To what extent is the labor movement responsible for it?

11. In the past officials of parent federations of labor unions have not been greatly concerned about the problem of union racketeering. Why has this been true, and within the structures of these federations what steps do you think might be taken to curb this practice in America?

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Chapter 20

CONTEMPORARY UNIONISM: POLICIES, PLANS, AND PROGRAM

¶ THE POSITIVE AND NEGATIVE AIMS OF UNIONISM. In preceding chapters we have seen how the process of collective bargaining is sought by laborers in their hope of being able by united action to counteract the natural advantage held by employers over their "inescapable need for a job in a society where food and shelter can be had only for money." Labor's approach to this problem has followed two general courses, one by political action and the other by unionization. From the broad point of view, all the plans and policies of contemporary unionism involve the formulation of a program along either or both of these avenues of approach.

For the most part the practices of unionism thus far considered are of a negative character—weapons forged primarily for the purpose of defending the workers against possible exploitation by employers. Even when employed for the positive purpose of shortening hours, raising wages, and improving the physical conditions of labor, the tactics of unionism are likely to be construed as negative. Employers and the public often forget entirely the constructive and co-operative functions of workers' organizations. Labor unions have gradually extended their scope, in many instances far beyond the field of wages, hours, and working conditions. Once collective bargaining is achieved and recognition is assured, unions tend to turn their attention to the provision of "benefits" for their members. Broader economic activities are gradually undertaken, such as the organization of labor banks, credit unions, and co-operative ventures of various kinds, including mutual insurance.

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Educational and recreational enterprises are soon initiated, and, as the struggle for survival on the economic field is crowned with victory, the workers are likely to become interested in larger social and political issues and problems. There is, of course, no established or universal order of sequence in this process of development.

TRADE UNION BENEFIT PLANS. Most unions pay some kind of a benefit when certain conditions exist that threaten the general welfare of individual members and their families. The most usual payment is that extended during a strike or lockout, in which case a small percentage of the wage regularly earned (usually insufficient to meet the bare necessities of life unless supplemented by other aid) is extended to the wage earner in distress or need. Next in importance are sickness, disability, and death benefits. Strong and prosperous national and international unions go so far as to provide pensions, homes for the aged and disabled, and tuberculosis sanitariums. Usually all members in good standing are entitled to benefits by virtue of their membership in the organization, the cost of such assistance being included in the regular union dues, except in cases of life insurance, which usually requires special additional contributions.

Complete information concerning the financial outlay in paying benefits is not available, but among 108 national organizations during 1938, 71 were offering death benefits, 25 were paying sickness benefits, 14 were providing unemployment benefits, and 16 were extending benefit payments for permanent disability not covered by state industrial accident laws. Total payments of death benefits amounted throughout the year (1938) to \$13,125,853, accounting for over 50 per cent of the total benefit of \$25,586,289 distributed.¹ Nor does this tell the whole story, since numerous local unions from which data have not been obtained pay many kinds of special benefits to their members. Considerable financial assistance is also given to the widows and children of deceased members by local, national, and international unions.

As might be expected, the benefit payments in each case are not large. Wage earners are not in a position to be generous in such matters, since the income of the unions will not bear too heavy a draft upon their funds.

1. *Report of the Executive Council of the A. F. of L.*, October 2, 1939, pp. 34-42.

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Death benefits, for example, vary from \$20 to \$1500, with \$50 the most common minimum and \$200 to \$300 the most common maximum. Smaller amounts are paid in case of the death of a member's wife. To obtain these benefits, the worker must have been a member from two to thirty years, depending upon the requirements of the particular union. For disability a flat sum is usually paid, varying from \$50 to \$800. Only in a few instances are weekly or monthly disability benefits paid. Weekly sick benefits are more common, ranging from \$4 to \$10 a week, with \$5 being the most common figure. As a rule a worker must have been ill thirteen weeks before he can draw upon the sick benefit fund. Group life insurance, carried with union life insurance companies, such as the Union Co-operative Life Insurance Company and the Labor Life Insurance Company, or with one of the old line companies, appears to be gaining favor among union workers.

Unemployment has been a perplexing problem to organized labor, since it is largely beyond the control of the workers. As already indicated, unions have approached this difficult problem largely from the point of view that the supply of work is quite fixed. Hence the procedure is to conserve or stretch the job. This is done through such methods as the limitation of membership and apprentices, the application of the principle of the "worker's right to his job" by requiring an indemnity in case of dismissal, the rationing of work among all workers so that none will be laid off, the limitation or prohibition of overtime, and the recruitment of employees through union headquarters to assure organized workers preference in employment. The unions have also approached this problem by means of backing wholeheartedly the enactment of unemployment compensation laws, now in force in every state of the union.

Despite these tactics, millions of men and women are often without work, hence the urgent need for out-of-work benefits, loans, and relief. Only a few national and international unions are paying unemployment benefits at present,² though a great many have done so at various times, and a considerable number of local unions have a definite policy in this

2. As, for instance, the Diamond Workers, the Siderographers, the German-American Printers, and the Stereotypers and Electrotypers.

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regard. Many unions exempt members from payment of dues during unemployment, a practice that relieves the idle worker of a financial responsibility and at the same time keeps him in good standing with his union. Between 1890 and 1928, for instance, more than \$1,820,000 was paid by the Cigar Makers' International Union in out-of-work stamps exempting members from payment of dues.

Several unions have had a policy of extending loans to unemployed and needy members, but serious difficulties are involved in such a practice and it is rapidly being abolished. Most unions, however, do assist unemployed members in various ways; especially is this true of local unions. Consequently, relatively few trade unionists have to resort to charity in periods of idleness unless they are caught in the swirl of widespread unemployment. But these direct and indirect unemployment benefits, at best, have reached the hands of perhaps not more than one out of a hundred of all union members and only one out of a thousand of the nonagricultural wage earners of the United States, in contrast with the almost 25,000,000 wage earners now becoming eligible for benefits under the unemployment compensation laws of the Social Security program.

Although they have worked intensively for state old-age pension laws, labor unions in many instances are also doing all in their power to care for their aged members. A number of national and international unions have homes for aged and disabled members.³ These range from modest cottages to pretentious institutions that can scarcely be excelled. Requirements for entrance vary, and most unions give members a choice of receiving a pension or entering the home. The retiring age is usually sixty or sixty-five, and the membership requirement ranges from one to twenty-five years. To receive a pension for disability the member must show that he is permanently and totally disabled. Disability caused by intoxicants or through any illegal action disqualifies a member for such benefits. If a member finds it necessary to enter the home or some

3. Organizations of workers operating such homes include the bridge and structural iron workers, bricklayers, electrical workers, granite cutters, printing pressmen and assistants, street-railway employees, printers, locomotive firemen and enginemen, and carpenters and joiners.

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other institution, provision is usually made for his wife, but seldom are wives allowed to become residents of the homes for the aged. With the development of the federal system, however, this activity also will doubtless decrease in importance in the future.

UNION-MANAGEMENT CO-OPERATION. No phase of trade union activity is commanding wider attention than the movement toward union-management co-operation. To avoid misapprehension concerning the true significance of co-operative relationships between management and union labor, it is necessary to state that there are still influential elements in the American labor movement that view with suspicion or condemn wholeheartedly any experiments in friendly relations between capital and labor. The irreconcilables still insist that these two major parties to industry are unalterably opposed to each other and that they can have no interests or objectives in common. Perhaps this is so, but it is evident that in the past American labor unions have manifested a willingness to discover a solid foundation for permanent co-operation with employers. Although it still militantly defends the advantages it has obtained and seeks aggressively to extend the domain of the union shop, American unionism increasingly desires peace rather than war. It is rapidly acquiring a larger conception of the relation between an economically sound industry and the progress of the wage-earning class.

The value of co-operation between management and men received widespread recognition during the World War, when maximum productivity was required of all essential industries. Much of the fine spirit of co-operation that existed in those eventful years disappeared with the termination of the war. Industrial depression, the reaction from wartime tension, and the wave of anti-union and open-shop propaganda that swept over the country were among the causes of the disappearance of the feeling of good will that had been so carefully cultivated. The spirit of conciliation persisted in a number of significant instances, however, and a few unions continued to demonstrate the wisdom of co-operation with employers. Gradually, despite pronounced antagonism in some quarters, both by militant employers and militant unionists, the idea of union-management co-operation gained general acceptance.

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The new spirit of co-operation has manifested itself in a number of different ways. The earnest desire on the part of both parties to abide by the terms of a union agreement, improvement in the operating efficiency of the plant or industry, the introduction of new machinery and new methods of production, the elimination of wastes and the reduction of operating costs, greater quantity and better quality production, and higher standards of sanitation and safety are among the results.

It must not be assumed that these co-operative relationships issue from an unmixed spirit of altruism. Capital and labor in the United States still retain their traditional opportunism. Each expects to obtain distinct advantages from co-operative arrangements. The employer believes he will be assured greater certainty of operation and better quality of workmanship. The workers expect material benefits in the form of higher wages and more stabilized employment, to say nothing of the enhancement of the prestige of unionism. "But the great accomplishment of union-management co-operation," it has been observed, "is the change in mental attitude thus brought about and the fact that the results are secured by mutual effort instead of by antagonism, through peace instead of war."⁴

If one may accept the pronouncements of union leaders as representative of the working-class point of view, a new type of labor unionism is developing in the United States—a type distinctly conciliatory in attitude and scientific in its approach to problems of industrial relations. This observation is made in the face of the apparent increase in strife brought on by recovery and in opposition to the purposes of such legislation as the National Labor Relations Act. There is apparently a recognition of mutual interest, of the necessity of assuming industrial responsibility, of the wisdom of adjusting union policies and practices to a changing industrial world in which science and rule of thumb play the major role. "The rule of trial and error will not bring results in modern business practice, and organized labor must adopt new methods and adapt itself to ever-changing conditions," said James Maurer, president of the Pennsylvania Federation of Labor and candidate for the

4. "Cooperation of Trade-Unions with Employers," *Monthly Labor Review*, vol. 27, October, 1928, p. 657.

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vice-presidency of the United States on the American Socialist Party ticket in 1928.⁵ Such a philosophy should soon cause the abandonment of many of the restrictive practices of unionism.

Perhaps no one has expressed the new trade union point of view more clearly than has President William Green, of the American Federation of Labor, in the following significant passage:⁶

It is to these problems of industrial co-operation and understanding that modern trade unionism is addressing itself. We do not believe our common problems are impossible of solution nor do we believe the obstacles to be met are insurmountable. As evidence of our faith we refuse to accept the oft-expounded theory that the differences between capital and labor, between employer and employees are irreconcilable. . . . I do not mean by this that the time will come when there will be no controversy between employers and employees over what constitutes a just and equitable division of the wealth which their joint efforts create. Such a difference of opinion manifests itself in all forms of human activity where men barter, buy and sell. Understanding and agreement upon this controversial subject can with few exceptions be reached through the process of collective bargaining. Particularly is this true where both sides approach consideration of the disputed question with patience, frankness, and a spirit of justice and fair dealing, as between man and man. . . . Through such a reciprocal relationship the common problems of industry can be solved, efficiency in service promoted, and economies in production introduced. . . . This is the newer concept of modern trade unionism.

That this philosophy governs the structure and activities of American unionism is well illustrated by the constitutional regulations governing the payment of strike and lockout benefits to members of A. F. of L. affiliated local unions. These regulations, among other things, stipulate that

in the event of a disagreement between a local union and an employer, the local union involved shall notify the President of the American Federation of Labor, and no moneys shall be paid from the defense fund on account of a strike or lockout that has not first been sanctioned by the President and Executive Council of the A. F. of L. When a strike has been authorized by the President and Executive Council a meeting of the union must be called

5. *International Moulders' Journal*, April, 1927, p. 217. Also see his recently expressed viewpoint in *Labor and Democracy* (1939).

6. *American Federationists*, vol. 32, part i, April, 1925, pp. 226-7.

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of which every member shall be regularly notified; no member shall be permitted to vote on the question who is not in good standing. A strike shall not be declared except where three-fourths of the members present at the meeting so decide by a secret ballot. These restrictions are imposed to prevent any hasty, ill-considered action by a directly affiliated local union and to give opportunity to an experienced representative of the American Federation of Labor to endeavor to negotiate a settlement of the dispute through mediation and conciliation. The American Federation of Labor favors a strike only as a last resort when all other honorable means of settlement have failed.⁷

It is in improving operating efficiency that the spirit of co-operation has registered some of its finest achievements. Improved methods and systematic distribution of work, intelligent transfer of employees, the introduction of economies, and elimination of wastes have been the general lines of procedure. The most prominent example of union-management co-operation in improving operating efficiency is that of the Baltimore and Ohio Railroad. This plan, initiated by the employees, had its inception in June, 1922. Its program "contemplated the utilization of the facilities of the B. & O. to the fullest possible extent for the maintenance, rebuilding and remodeling of locomotives and car equipment, as well as for manufacture of supplies and material needed for mechanical and other purposes."⁸ In exchange for greater quantity and better quality of work, the shop employees were to have stabilization of employment. To this end a committee system was developed. A committee of men meets with the representatives of the management at stated intervals to consider suggestions for technical improvements and stabilization of work.

Originally confined to the Baltimore and Ohio repair shop at Pittsburgh, the plan was by agreement in February, 1924, extended to the forty-five shops of the company and has since been adopted by other important railroads, including the Canadian National Railways, the Chicago and Northwestern Railway, the Chicago, Milwaukee and St. Paul Railway, and the Grand Trunk Railway.⁹

7. From a statement issued by the American Federation of Labor.

8. *Baltimore and Ohio Magazine*, October, 1936, p. 8.

9. Federated Shop Crafts, *The Co-operative Policy of the Railway Employees' Department of the A.F.L.*, pp. 7, 8.

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The successful operation of the scheme depends upon the acceptance of certain fundamental principles, according to O. S. Beyer, Consulting Engineer, who, together with W. H. Johnston, president of the International Association of Machinists, first conceived the plan and supervised its early application.¹⁰ These are summarized as follows:

1. Full and cordial recognition of the standard labor unions as the properly accredited organizations of employees.
2. Acceptance by the management of these unions as helpful, necessary, and constructive in the conduct of industry.
3. Development between unions and managements of written agreements governing wages, working conditions, and the prompt and orderly adjustment of disputes.
4. Systematic co-operation between unions and managements for improved service, increased efficiency, and the elimination of waste.
5. Willingness on the part of managements to help the unions solve some of their problems in return for the constructive help rendered by the unions.
6. Stabilization of employment.
7. Measuring and sharing the gains of co-operation.
8. Provision of definite joint union and management machinery to promote and maintain co-operative effort.

The vitality of the plan is indicated by the fact that 30,364 suggestions were submitted to the management between March 4, 1924, and September 6, 1939, of which number 86.3 per cent were accepted.¹¹ It has yielded appreciable benefits for both management and employees. The scope of the scheme has, moreover, been expanded to include practically all men in the service of the company. For its share in co-operation, management has been rewarded with better shop discipline, reduced labor turnover, improvements in employee training, the recruitment of a better type of worker, conservation of materials, reduction of defects and failures, better workmanship, increased output, new business, better

10. Another significant plan, but not under union shop control, is that of the Philadelphia Rapid Transit Company, known as "The Mitten Plan."

11. Mimeographed "Summary of Suggestions" issued by the Motive Power Department of the Baltimore and Ohio Railroad Company.

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morale among the working force, and greater public good will. Among the most obvious advantages to the employees are a reduction in the number of grievances, stabilization of employment, better opportunities and equipment for training, improved conditions of employment, better tools and methods of work, and higher standards of workmanship. The management estimated that during the first five years of the life of the plan the number of grievances was reduced 75 per cent, and that the employment of shopmen had been increased on an average of two weeks a year over conditions existing prior to the introduction of the program.¹²

Although the Great Depression made it impossible for the company to live up to its desire to guarantee a definite and full number of days of work during the year to the men co-operating under the plan, this has been accomplished during years of better business.

Space permits only a brief citation of a few other instances of union-management co-operation. One of the most outstanding accomplishments in raising the standards of health, sanitation, and safety in industry is credited to the efforts of the Joint Board of Sanitary Control in the women's garment industry of New York City. This board, which was set up in 1910, has required strict conformity with its standards and has enforced its orders through a system of periodic inspections. Although the "protocol" under which it was established was abrogated in 1916, the employers and the International Ladies' Garment Workers have continued to co-operate in this important work, and similar boards have been set up in other markets. Late in 1939 the union announced the inauguration of an intensive training program in plant management for certain of its members in an effort to reduce waste in shops and to increase earnings of workers. This program is being carried on at union expense to "offset assertions by garment manufacturers that they cannot raise wages because of small profits." After six months of intensive training, workers with highest records are sent out into plants to demonstrate how efficiency can be improved.¹³

The clothing industry has also witnessed some interesting experiments

12. "Co-operation of Trade Unions with Employees," *op. cit.*, p. 662, and *Baltimore and Ohio Magazine*, October, 1936, p. 8.

13. United Press release under date of November 12, 1939.

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in union-management co-operation for increasing quantity and improving quality of work. In its 1920 convention, the Amalgamated Clothing Workers of America adopted by a large majority the policy of favoring intelligent standards of production. Since that time greater output and better quality of work have been looked upon as a means of stabilizing the industry and of helping the employers to provide steady employment. On numerous occasions the Amalgamated has stepped in to help eliminate inefficiencies, going so far as to participate in business and financial reorganization of firms that were in difficulty. Several times the union has given financial assistance to union manufacturers who were in danger of liquidation. The union knows that liquidation would mean prolonged unemployment for many of its members; hence, intelligent self-interest prompts its generous co-operation with employers. So helpful have been the results that today it is not an uncommon experience to find manufacturers and managers in the clothing industry referring their problems of shop management to officers of the union. Maritime shipbuilding, rubber, textile, and numerous other industries provide examples of this same spirit of co-operation.

THE TRADE AGREEMENT. Union-management co-operation and other joint activities designed to maintain peace and order in industry are given constitutional character and dignity through the trade agreement, which is an instrument accepted by the union and the employer in the government of employment relations for a given period, usually from one to three years. Citation of the provisions of a typical agreement will suffice to indicate how constitutional government functions in industry.¹⁴

In the preamble is set forth what both the union and the employer desire and expect from this written instrument of mutual understanding. The employer desires the establishment and maintenance of discipline and efficiency and anticipates that by the exercise of this discipline all stoppages and interruptions will cease. He expects, moreover, that ad-

14. The provisions here summarized are from an agreement between the Amalgamated Clothing Workers of America and the members of the Wholesale Clothing Manufacturers of Chicago and the Chicago Industrial Federation of Clothing Manufacturers, 1925-1928.

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herence to the agreement will issue in good standards of workmanship and conduct, that proper quality, quantity, and cost of production will be assured, and that co-operation and good will will exist between management and men. The union desires that the agreement will operate in such a way as to maintain and strengthen its organization, making possible complete co-operation with the employer and the protection of the workers' interests. It expects, moreover, that there shall be quick recourse to established tribunals in cases of grievances and disputes, such tribunals to be created jointly by the employer and itself.

The trade agreement contains definite provisions concerning hours, wages, conditions of employment, safety, union status or preference, administration, and the agencies and methods of adjusting grievances. The number of hours to be worked in any week is specified, as are the daily hours, Saturday half-holiday, and extra compensation for overtime. Standards of wages for both timeworkers and pieceworkers are established, together with the rules governing changes or readjustments in rates. Maintenance of the union shop or the preferential shop is provided for. The provisions concerning working conditions specify that a healthful and safe working environment shall be maintained, that discipline and discharge shall rest with the employer, and that the union may have the privilege of investigating each case of dismissal or discipline. The distribution of work among union members on an equitable basis is also provided for in the section governing working conditions.

Agreements entered into between the Amalgamated Clothing Workers of America and employers in the clothing industry set forth in considerable detail the machinery for the administration of the agreement and the adjustment of complaints. Authorized representatives of the union and of the employer are empowered to investigate, mediate, and adjust complaints or grievances submitted to them.¹⁵

Labor unions endeavor to promote the efficiency of workers under the trade agreement, and in return they expect fair dealings from the employer. These agreements are arrived at, as we have seen, through negotiations which tend to develop an understanding of obligations and responsibilities as well as of the rights of both parties. American

15. For the operation of this system of adjustment, see Chapter 25 of this study.

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unionism does not regard the trade agreement as a "one-sided affair" that makes only the employer responsible for performance. It is the union's obligation not only to promote efficiency, but also to uphold and promote amicable labor relations. Alleged grievances of employees are usually investigated, under the terms of the agreement, by duly authorized representatives of the local union. Those which involve violations of the terms of the agreement are passed on to the proper agency, usually an impartial arbitrator, for settlement.

LABOR BANKS. Unionism everywhere is constantly required to meet new situations and to solve new problems. Large organizations of individuals seeking a higher standard of life for the workers frequently need capital and credit. Workers, however, are inclined to look upon banks as financial institutions organized primarily to serve the merchant, the manufacturer, and others of the employing group, who use capital in the production of wealth and profit. They desire their own financial institutions; hence the emergence of the Labor Bank.

Labor banks in the United States had their actual inception on November 1, 1920, when the Brotherhood of Locomotive Engineers' Co-operative National Bank of Cleveland began operations. This institution was organized to administer and invest the banking and credit resources of the Brotherhood and its affiliated divisions, to encourage thrift and saving among the members of the organization, to safeguard the interests of dependent widows and orphans whose welfare is entrusted to the Brotherhood, and to use the resources of the organization for the benefit of the stockholders, depositors, and clientele of the bank, whether members or nonmembers. The bank had an initial authorized capital of \$1,000,000, divided into ten thousand shares, 51 per cent of which was subscribed by the Brotherhood and 49 per cent by the individual members of the union. Shares of a nominal value of \$100 were issued at \$110 in order to constitute at once a reserve fund of \$100,000. The bank opened with resources of \$650,000, and soon experienced rapid growth. Three months after the opening date the total deposits amounted to \$2,500,000, and by January, 1925, the total resources had increased some fortyfold, to more than \$25,000,000. The business had been so successful that branches were established in numerous cities throughout

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the United States, and elaborate investment, securities, and insurance companies were absorbed by the bank in its eagerness to invest profitably its overflowing resources. But union leaders soon learned that what they knew about high financing and sound investments left much to be desired. By 1925 the parent bank in Cleveland, realizing the need of putting its investments upon a sounder footing, decided the best way of doing that would be to invest in Florida real estate. The membership of the union was to be given the opportunity to grow rich from these investments also. A town poetically called Venice was built, and was widely advertised in the Locomotive Engineers' Journal as a "New Eden."¹⁶

But much to the disaster of the cause of labor banking, the "New Eden was completed at a heavy cost just on the eve of the expulsion of the unsuspecting Adams and Eves," and labor's new edifice in imitation of big business fell into ruins. In 1927, special investigators for the union disclosed a record of gross incompetence and recklessness on the part of the labor union officials who were entrusted with the bank. But the success that crowned the first years of the Brotherhood's banking experiment resulted in the rapid rise of the movement. By the autumn of 1927 some forty labor banks had been organized, of which thirty-three were still labor banks. The total resources of labor banks at that time were about \$125,000,000. There has been a conspicuous decline in the movement, many of the banks having been taken over by nonunion interests. Consequently, at the end of 1928, the total resources of twenty-seven labor banks were a little over \$116,000,000. By the middle of 1939 only four labor banks—the Amalgamated Trust and Savings Bank of Chicago, the Union National Bank of Newark, New Jersey, the Amalgamated Bank of New York, and the Telegraphers' National Bank of St. Louis—with total resources of \$25,813,638, still remained in operation.¹⁷ Thus have the unions learned that banking and labor organizations are not the best of business companions.

Some labor banks have been controlled by a single union, others have

16. For a full account of labor banking activities see Selig Perlman and Philip Taft, *History of Labor in the United States*, vol. iv, chap. 42.

17. *Monthly Labor Review*, vol. 49, September, 1939, p. 655.

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been organized by a group of unions in the same industry, while still others have been sponsored by various unions without regard to craft or industry. Regardless of the organization or group that creates them, labor banks seem generally to have similar characteristics. The control rests entirely with labor. The amount of stock that may be held by any one individual is limited, usually three to five shares, except for directors, who are required by law to own a larger number of shares. The board of directors usually contains some practical businessmen in addition to the union representatives, and salaried officers and staff consist of trained bankers. Dividends to stockholders are limited, in most cases to 10 per cent per annum. Profits above 10 per cent and above the statutory reserve requirements are shared with the depositors, who also receive 4 per cent on deposits. Experience indicates that labor banks attract a wide clientele inside and outside the trade union movement. The purpose of the limitation of shares is not only to preclude control by small groups, but also to assure the widest possible distribution of shares among unionists.

The functional character of labor banks varies. Some are chiefly savings institutions, some are commercial banks, and some do an investment banking business. All must conform to the same law that governs other banking institutions, and there has been an apparent eagerness to operate on a conservative basis with a maximum of safety, service, and efficiency.

The creation of labor banks may be attributed to divers motives. Labor undoubtedly desires to participate more fully in the economic life and progress of the community and nation, to accept greater financial responsibilities, and to share more largely in material gains. The opportunity to participate in a co-operative enterprise under state supervision has appealed to many, and the labor bank has been looked upon as a means of assisting other co-operative institutions sponsored by the workers. There has been a definite desire to obtain for the workers greater returns from their savings than are offered by commercial banks. The deposits of the workers in the banks of this country are estimated to aggregate several billions of dollars, little of which is controlled by the workers' institutions and some of which is utilized to promote causes

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opposed to the wage earners' best interests. Of no small influence in the organization of labor banks has been the desire of unions to find more direct and profitable outlets for the large sums of money used to carry the pensions and insurance risks of their members. Finally, many workers have urged labor banking because they are interested in developing more democratic control of financial institutions and wish the workers to gain practical experience in directing such enterprises.

Much speculation exists with regard to the achievements of labor banking. Certain results are quite evident. Labor banks afford a number of immediate advantages for individual wage earners. Workers are given greater opportunities for independence through sound financial advice by those directly interested in their welfare. In times of unemployment a measure of relief is afforded through small loans. Loans are usually obtainable on a more reasonable basis than is offered by commercial enterprises. The workers' confidence in banking institutions is greatly strengthened. Labor banks, through the wide distribution of their stock, afford the workers an opportunity to familiarize themselves with the intricate problems of modern business economics. Co-operative associations have been able to procure valuable assistance from labor banks with direct advantages to particular groups of workers. On the whole, these banks have adhered strictly to the principles of sound finance, and experienced financiers have been brought in to assume charge of operations. For this reason, labor banks have enhanced the prestige of labor and increased the confidence of the rank and file in the ability of their leaders. The existence of such banks is believed by some to have a favorable psychological effect upon the minds of small employers who might contemplate making trouble with bank-owning unions, since the possession of financial reserves increases the union's chances of success in strikes. These workers' institutions have probably brought about a wider diffusion of industrial ownership, because the workers are encouraged to invest in sound securities, often those of the corporations in which they are employed.

Two decades of experimentation have not yielded convincing evidence that the labor banking movement will be generally successful.

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The saving ability of the American wage earner has undoubtedly been demonstrated, and his capacity to enter into business ventures has exceeded the expectations of many. American wage earners received \$47,000,000,000 in 1937 and \$44,000,000,000 in 1938,¹⁸ of which some eight or ten billions are estimated to be saved annually in one way or another. Compared with such figures, the \$25,000,000 in labor banks is insignificant. The major portion of labor's savings is still going into private banks, a fact which not only constitutes a challenge to the workers but also suggests the potential growth of labor's financial institutions. Even employers admit that the mobilization of these funds under the control of labor would give the workers enormous power and enable them to influence profoundly all forms of industry. It must not be thought, however, that the true significance of labor's financial ventures lies in the size and number of banks established. Compared even to single commercial banks in our great cities the total resources of all the labor banks thus far organized are not impressive. It is in the potential growth of labor banking and its influence upon unionism, finance, industry, and commerce that one must seek the true significance of labor's experiments with business undertakings.

Labor banks have apparently been accorded a friendly greeting by employers and financiers. This is not difficult to understand. These new functions of unionism may logically be expected to result in greater conservatism in matters touching human relations in industry. Greater peace and co-operation may be the consequence of labor's experiences in the intricate field of business. "A union that owns a bank may easily come to be owner or part owner of a factory or mine, and hence may learn to take an owner's or manager's view of the effect of a strike or lockout."¹⁹ There are many who are convinced that labor will have greater respect for capital when it understands the difficulty of administering complex capitalistic enterprises, and that capital will have more respect for labor when it perceives that labor can successfully manage business organizations.

18. *Ibid.*, p. 631.

19. *British Labour Gazette*, vol. 25, April, 1925, p. 367.

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The principal criticisms of labor banks have come from trade unionists themselves. It is feared that these financial ventures will cripple the power of labor in times of strikes and other periods of industrial conflict. Labor banks, especially when conducted by one union, as opposed to many unions, are likely to tie up labor's strike funds, make these resources unavailable at strategic times, place the union under obligation to businessmen not in sympathy with unionism, and divert the attention of officers and leaders from the primary job of organization and collective bargaining. The Executive Council of the American Federation of Labor long ago sensed this possible consequence: "We are prompted to sound a note of warning against the increasing tendency to divert the attention of the trade unionist from the more primary need of trade union organization and trade union functioning."²⁰ To those who seek complete economic reorganization and the socialization of wealth, a far greater danger lies in the tendency of these business ventures to destroy the larger social vision that sees in the future the realization of a labor democracy.

WORKERS' EDUCATION. Somewhat older than labor's ventures in the field of finance is its experimentation in the field of education. Yet a quarter of a century ago a definite system of workers' education did not exist. This can be easily explained. Labor was too preoccupied with the more immediate problems of organization and collective bargaining to give thought to educational problems. The struggle for recognition, shorter hours, higher wages, and better conditions of work was more urgent than cultural development. With the realization of greater leisure and the deepening of the conviction that education is indispensable to the success of the labor movement and the fuller participation of the workers in the affairs of the community, the leaders of labor turned their attention to educational programs. In almost every country where unionism has gained considerable strength, educational activities are claiming serious attention.

Workers' education has been defined as an attempt on the part of organized labor "to educate its own members under an educational system in which the workers prescribe the courses of instruction, select

20. *Proceedings of the Annual Convention, A. F. of L.*, 1926, p. 49.

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the teachers, and, in considerable measure, furnish the finances."²¹ Such a system of education has numerous objectives. It is designed to give wage earners a broader knowledge of the problems that vitally affect their lives and their work and to enable them to discover ways and means of solving these problems effectively. All agree that one of the basic purposes of this program of education is to develop and train leaders for the labor movement. The ultimate emancipation of the working class and the realization of a new social order are conceived by many as the basic objectives of workers' education. A richer and fuller life for the workers is desired; hence, it is urged, they must be prepared to usher in a new economic system.

Whatever may be the primary objectives of workers' education, they are distinctly different from the purposes of the ordinary extension department, correspondence school, and similar institutions for adult education. These seek to give students a little more culture or to increase their earning capacity by fitting them for better positions. Workers' education, on the other hand, is designed to stimulate the wage earner's interest in the problems of the labor movement, to increase the efficiency of union leadership, and to deepen the desire for complete economic and social reorganization. Educational courses as provided by progressive unionism seek to assist the workers in analyzing the institutions and practices of the present social order which they wish to change or abolish, to understand clearly the nature of the institutions they would substitute for present ones, and to develop an effective technique for bringing into reality the ideal economic system of which they dream.

In view of these broad social purposes, it is not strange that the courses offered in institutions sponsored by the workers have a social and cultural character rather than a commercially utilitarian one. The following curricula, suggested by the Workers' Education Bureau of America, indicate the type of courses generally offered:

Labor History: Trade union problems; policies and aims; labor and the state
History: Special emphasis upon social and economic forces and systems
Economic Geography

21. By Harry W. Laidler, in *Social Progress, A Handbook of the Liberal Movement* (William Floyd, editor), (New York, The Arbitrator, 1925), p. 264.

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Economics: Particularly in relation to the industry of the group taught
Social Psychology and Sociology
Labor Law and Legislation
Public Speaking and Parliamentary Law
Literature
English
Health: With special reference to industrial conditions

There is, of course, no uniformity in the curricula or in organization and technique. Flexibility both as to the content of the courses and as to the method of presentation seems to produce the best results.

The organization of workers' education is very comprehensive, running the whole gamut from full-time and part-time colleges to co-operative relationships with regular academic institutions, the activities of the Workers' Education Bureau of America, summer schools, regional and national conferences, week-end conferences, and numerous systems of public lectures, institutes, and entertainments, to say nothing of publications.

One of the original pioneers of workers' education in this country is the International Ladies' Garment Workers Union, which, as early as 1914, began to give this matter serious attention. Convinced of the important function of education in improving union leadership and in providing cultural values for the rank and file, this union, in 1918, inaugurated a plan in New York City designed to achieve these objectives through unity centers, a workers' university, an extension division, and student councils. Among the other institutions carrying on similar educational activities are Brookwood Labor College, organized in 1921 at Katonah, New York, and some time ago repudiated by the American Federation of Labor for alleged radical teachings; Commonwealth College, at Mena, Arkansas, in operation since 1923; the Rand School of Social Science, created in 1906 and devoted primarily to the preparation of leaders for the socialist movement; the Workers' School, organized in New York City in 1924 by the Workers (Communist) Party, primarily for the training of its members and sympathizers; and the League for Industrial Democracy (formerly the Intercollegiate Socialist Society),

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organized in 1905, and devoted to education for a new social order. In institutions like Brookwood and Commonwealth, students spend part of their time in manual labor as a means of meeting expenses. There are numerous other educational enterprises carried on by unions, such as the Boston Trade Union College of the Boston Central Labor Union, the Pacific Coast School for Workers, and the educational work of unions like the Amalgamated Clothing Workers of America. The summer schools for wage-earning women at Bryn Mawr College and the Amherst labor courses at Springfield also have attracted considerable attention.

No other agency for workers' education in America deserves more credit than the Workers' Education Bureau, which was established in 1921 by a group of teachers and trade unionists for the promotion of workers' education by and for industrial wage earners. The bureau is nonpartisan and nonsectarian, and has the endorsement and support of the American labor movement. Its control, however, was for a while the object of a conflict between the conservative Executive Council of the A. F. of L. and the progressive independent workers' educational groups.

The Bureau has provided leadership and direction for workers' education in this country and has furnished several kinds of educational service to the trade union movement. Most significant of the Bureau's work is that represented by the program of the Institutes for Organizers to meet the need for training in organizing, the Labor Institutes for special study of current labor problems, the special educational work carried on in conjunction with the various state federations, and the recently instituted national radio programs. Highlights so far in radio broadcasting have been in a national broadcast of a series entitled "Americans at Work." This program was initiated in 1938 for the purpose of presenting in vivid manner "the dignity of Labor and the importance of skill in carrying on the many and diverse duties of this machine age."²²

22. *Report of the Proceedings of the 58th Annual Convention, A. F. of L.*, 1938, p. 188.

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The Workers' Education Bureau also provides general information through the *Workers' Education News*, a weekly publication, and *Workers' Education*, a monthly magazine; educational advice; a teachers' registry, consisting of a list of teachers qualified for this important work; a research department, which has collected and analyzed data for its books and pamphlets; a co-operative book service, through which books are supplied to the movement; a library loan service; and a correspondence department. In developing the Workers' Bookshelf and the Workers' Educational Pamphlet Series, the bureau's editorial committee has done a constructive service.

Under the direction of the bureau, educational courses have been instituted in practically all of the states in co-operation with local trade union educational committees, and numerous educational conferences and institutes have been sponsored. The accomplishments of this organization represent a significant achievement in the history of American labor. Since 1921, numerous unions have co-operated in its program, and it is estimated that some forty thousand students are enrolled each year in the various workers' colleges and study groups.

While most of this work is carried on through the co-operation of the A. F. of L., many unions affiliated with the C.I.O. also have become aware of the value of providing educational courses for their members. Committees on workers' education have been established among a number of councils within the C.I.O. During the summer of 1939 the Steel Workers' Organizing Committee, Amalgamated Clothing Workers, United Electrical, Radio, and Machine Workers, United Rubber Workers, Federation of Flat Glass Workers, Aluminum Workers, and the United Mine Workers, all affiliated with the C.I.O., sponsored, through a joint educational committee, a two-month recreational and educational camp. The camp, conducted on property leased from the National Park Service, was attended by nearly a thousand officials and members of the various unions, and time was divided between an intensive study of labor problems and recreational activities. Concerning this experiment, John L. Lewis has reported that the "summer's experience suggests that the extensive use of these camps by the unions offers a very satisfactory way of utilizing the vacations with pay gained by the C.I.O.

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both as a means for attractive recreation and for valuable education.”²³

To measure the results of workers' education is a difficult task. The evidence is conclusive that these agencies of intellectual development have contributed much to the increase of factual information among the workers and have given a more intelligent group of young leaders to the labor movement. Clearly these courses have afforded the workers a greater measure of culture and self-realization than would otherwise have been their lot. The more liberal institutions have undoubtedly inspired and trained both leaders and members for the work of education and propaganda against the existing economic régime. The art of thinking and expression has been greatly developed among thousands of wage earners in these classes, and they have been helped in formulating a philosophy of life and of social relations. It is not too much to hope that with this wider diffusion of learning there may also come a deeper appreciation of the responsibilities of industrial and political citizenship, a clearer conception of the ideals of democracy, and a greater determination to realize the ideals of economic justice in human relations.

Workers' education has encountered many serious difficulties and numerous discouragements. The problems of attracting young workers to the courses, recruiting inspiring and competent teachers, procuring desirable textbooks, obtaining adequate funds, and providing suitable headquarters have been very real. Discouraging in the extreme has been the indifference of those who should willingly flock to such courses of training. Mental effort apparently is burdensome, especially when the factor of fatigue appears at the end of the day's work, but many who could and should have welcomed these educational opportunities have manifested no interest. The positive results, however, are more than sufficient to compensate for the obstacles encountered.

POLITICAL PHILOSOPHY OF THE A. F. OF L. The political philosophy of the conservative labor movement in America is a much-discussed subject. It is a well-established tradition in this country that labor unions, if they would escape complete annihilation, must shun direct affiliation with political parties. Although perhaps not so universally accepted as

²³ *Report of the President to the Second Constitutional Convention of the Congress of Industrial Organizations*, 1939, p. 58.

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it once was, this interesting tradition still persists with astonishing vitality and gives promise of dominating the American trade union movement for a long time to come.

The antagonism to direct political action is unquestionably the result of the dismal failure of early experiments with labor parties, especially those that sprang up in our eastern cities during the early decades of the nineteenth century. The political experiences of the Mechanics' Union of Trades Associations, organized in Philadelphia in 1827, which called into being the first labor party in 1828, and of the New York Workingmen's Party, which was organized in 1829 and disappeared in 1831, have been viewed as convincing evidence of the futility of direct political movements. Although certain practical measures were sponsored and secured, such as a mechanics' lien law, the abolition of imprisonment for debt, and larger appropriations for education, these early movements became involved in the idealistic programs of humanitarianism, agrarianism, and educational communism. Both their practical reforms and their leaders were taken over by the old parties. With the emergence of a strong trade union movement in 1833-1837, direct political action was abandoned as undesirable and ineffective.²⁴

The political theory of the dominant right wing or conservative factions of the American labor movement is officially enunciated by the American Federation of Labor. The federation believes that the best results can be obtained by devotion to principles rather than parties, the way to the realization of these principles being through the support of candidates who accept them and the defeat of those who oppose them.²⁵ This is often referred to as the "Gompers nonpartisan policy," because Samuel Gompers was its originator and staunch defender. With the exception of one year, Mr. Gompers was president of the A. F. of L. from its founding in 1886 until his death in 1924. Adherence to this policy, Mr. Gompers believed, was the only way in which labor could avoid

24. See F. T. Carlton, "The Workingmen's Party of New York City, 1829-1831," *Political Science Quarterly*, vol. 22, September, 1907, pp. 401-15; and John R. Commons, "Labor Organizations and Labor Politics," *Quarterly Journal of Economics*, vol. 21, February, 1907, pp. 323-9.

25. Samuel Gompers, "Labor and the 1924 Campaign," *American Federationist*, vol. 31, July, 1924, pp. 563-5.

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the internal dissensions and the schisms that had disrupted earlier trade union movements, since direct political action invariably involves organized labor in matters not related to industrial questions.²⁶ Being essentially a labor organization, the A. F. of L., he believed, must concern itself primarily with labor problems, which cannot become the exclusive concern of any one political party. This may explain that section of the federation's constitution which declares: "Party politics, whether they be Democratic, Republican, Socialistic, Populistic, Prohibition, or any other, shall have no place in the Convention of the American Federation of Labor."²⁷

Indirect rather than direct action has been, then, the policy of the conservative labor movement in the United States. This policy is traditionally expressed in the formula: "Elect labor's friends; defeat labor's enemies"—the slogan of the A. F. of L. almost from the beginning. The technique employed by the federation in executing this policy is worthy of attention. Both the national federation and its constituent units constantly seek to elect to local councils, state assemblies, and the federal Congress the friends of labor, and to maintain skilled lobbyists to influence legislation. Throughout each congressional session a legislative lobby of certain officers of the federation, who comprise the "National Legislative Committee," is maintained in Washington to watch legislation. It is the duty of this group to seek enactment of labor's legislative program and to oppose measures designed to injure the cause of organized workers. Congressmen and senators are interviewed, briefs are submitted to congressional committees charged with the consideration of bills, and publicity is issued to influence public opinion. Ever since 1895 this committee has kept vigil over the legislative interests of labor. Since 1921 its activities have been supplemented by a larger body, the Trade Union Legislative Conference Committee, consisting of the national legislative agents of the international unions and railroad brotherhoods. This committee has a membership of some thirty or forty persons. Always the "labor vote" is held up as bait to influence seemingly indifferent congressmen and senators. Labor's nonpartisan policy is safeguarded by the "American Federation of Labor National Non-Partisan

26. *Ibid.*, p. 563.

27. *Constitution of the A. F. of L.*, Article III, Sec. 8.

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Political Campaign Committee," which is appointed biennially by the Executive Council.²⁸

These nonpartisan political policies of the A. F. of L. have been reiterated many times since the World War. In 1922 the Federation passed a resolution demanding of the workers of the nation "for their own good and for their own liberation and freedom from political enslavement that they do take a more active interest in the precinct, county, state and national conventions, and assemblies of the two old parties for the purpose of electing only men who are fair and honest with labor and the people."²⁹ In 1924 and again in 1925 it refused to adopt resolutions favoring the formation of a labor political party. In 1932, and again in 1933 and 1935, it unanimously rejected a resolution proposing an independent labor party. With the rise to power of the C.I.O. subsequent to 1936, the A. F. of L. central body has consistently refused to participate in the Labor's Non-Partisan League program organized under the leadership of the C.I.O. on grounds that despite the League's general objectives it is nothing more than a C.I.O. agency, "a ventriloquist's dummy for the C.I.O. leaders"; it is opposed to the best interests of American Labor; and because it is thought to be "devoted chiefly to promoting the personal political ambitions of C.I.O. leaders."³⁰

CURRENT LEGISLATIVE PROGRAM OF THE A. F. OF L. What has been said of the nonpartisan political policies of the A. F. of L. is not to be interpreted as meaning that the Federation has no political program. On the contrary, for many years the organization has waged an endless struggle in the hope of gaining definite advantages for labor through labor legislation without weakening the cause of the trade union movement. By the turn of the twentieth century the American labor movement had learned to distrust government authority and had begun to shun political action through legislation in favor of direct economic action as a means of securing the rights of its members. But by 1906 the A. F. of L. had become a bit more tolerant of government, and began to turn to it for aid in the fulfillment of its program. Its Bill of Griev-

28. H. L. Varney, "An American Labor Party in the Making," *Current History*, vol. 20, April, 1924, pp. 86-91.

29. *Proceedings, op. cit.*, 1922, p. 268. 30. *Proceedings, op. cit.*, 1938, p. 409.

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ances called for the federal enactment of the eight-hour day, the abolishment of competitive convict labor, relief from the ever increasing stream of cheap immigrant labor, protection for maritime workers, and protection against antitrust legislation and the use of injunctions.³¹

Thus did labor's active début in national politics come a third of a century ago. Since then it has gained greater confidence in government, and has learned to rely on government to enact various forms of protective legislation. The general policy of the A. F. of L. today, as it looks into the future from 1940, may be summarized briefly as follows:³²

1. *Department of Labor.* The Federation believes that promoting national welfare means the promotion of welfare among all groups within the nation, and that the best interests and the social progress of American wage earners is and should continue to be the major responsibility of a department of labor, independent of every other department of the government.

2. *National Labor Relations Act.* The A. F. of L. was originally the chief sponsor of this Act, and still jealously defends the basic principles embodied within the law. It has, however, attacked seriously the results following what it considers to be an "exercise of unlimited discretion in administering the Act, and unwarranted construction of procedural provisions of the Act."³³ To this end it has urged certain amendments to the law. As a result of extensive hearings held before the Senate Committee on Education and Labor, the National Labor Relations Board announced, on July 14, 1939, new rules of administration, and the appointment of new personnel, which incorporated most of the proposals urged by the Federation. But there still remain for adoption several fundamental proposals, among the most important of which are: (1) limitation of the "tremendous" power vested in the Board through what is now commonly termed the Board's rule-making power, (2) provision for the right of an appeal of what is called representation cases as well as complaint cases, and (3) remedying the problem of "ex-

31. For a full summary of this Bill of Grievances, see Perlman and Taft, *op. cit.*, chap. xvi.

32. Summarized from the *Report of the Executive Council of the A. F. of L.*, October 2, 1939, pp. 113-6.

33. *Ibid.*, p. 116.

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traordinary and outrageous" delay experienced in the adjudication of cases.³⁴ In his testimony before the House committee during the early part of 1940, Mr. Green also urged the adoption of amendments to the act which would enlarge the Board to five members, and would permit aggrieved labor unions to appeal the Board orders directly to the Circuit Court of Appeals.

3. *State Labor Legislation.* Not unmindful of the need for further extension of the interests of workers through the enactment of state labor laws, the federation is especially interested in:

(a) The creation of more strong, unified state departments of labor, with rulemaking power as was done recently in Alabama and Hawaii.

(b) The extension of coverage under state workmen's compensation and occupational disease and the liberalization of benefits.

4. *National Legislative Program.* This includes a number of objectives:

(a) The establishment of the shorter workweek with the thirty-hour week as a goal.

(b) A continuation of the federal direct relief and work relief programs as long as an emergency unemployment condition exists. In this connection the Executive Council of the A. F. of L. points out that the so-called "work relief" program of the country has actually become one of the largest public works programs known to any nation, and as such should not be dealt with as work relief but rather as a long-range program of public works projects which would supplement private employment, thus "providing private employment under contract at not less than prevailing wages,"³⁵ and thereby softening the impact of recurrent fluctuations of construction activity upon unemployment.

(c) More widespread adoption of labor wage and hour standards and a more aggressive enforcement of these standards under the Walsh-Healey Act.³⁶

(d) A more active labor participation in the enforcement of the

34. *Ibid.*, pp. 122-3. Later information relative to the A. F. of L.'s attitude toward the proposed amendments to the Act has been taken from Associated Press releases under dates of January 26 and March 26, 1940.

35. *Ibid.*, p. 140.

36. The Public Contracts Act of 1935.

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Fair Labor Standards Act, whereby violations will be called to the attention of the administrator of the Act immediately so that abuses can be hastily corrected.

(e) The gradual expansion of the Social Security Program, as amended in 1939, in order that

(1) All workers will be covered under the old-age pension program.

(2) The unemployment benefits will be larger, so that the employer will not be excused from his share of the tax burden through "merit" or "experience" rating exemptions. "Labor is determined that the purpose of unemployment compensation—the payment of reasonable benefits for long enough periods to cover the usual periods of unemployment in a year—shall not be defeated by tax reductions which will keep the funds too small to permit the increases in benefits our system needs."³⁷

(3) The workers of the nation may be covered through the inauguration of a compulsory health insurance system, a considerable part of the cost of which is to be borne by other than pay-roll taxes thrust upon the shoulders of the workers themselves.

(f) An extension of all labor legislation to farm and domestic laborers who are still the victims of exploitation and insecurity.

(g) The encouragement of labor co-operatives and labor credit unions.

(h) The continued development of educational facilities for the youth of the nation, and for workers, through national and state appropriations of tax funds.

5. *Democracy and International Relations.* The A. F. of L. for many years has consistently and repeatedly declared its aims and policies are contrary to those of Naziism, Fascism, and Communism, believing that the dictators under these autocratic forms of government shape the destinies of the people who are subject to their will. "Freedom, democracy and democratic forms of government mean international peace; while dictatorship, autocracy and totalitarian forms of government mean war, territorial aggression and chaos and confusion in international relationships."³⁸ Further, the federation is "unalterably opposed" to this na-

37. *Ibid.*, p. 159.

38. *Report of the Executive Council, op. cit.*, 1939, pp. 195-6.

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tion's becoming entangled in European conflicts, and has pledged itself to the maintenance of strict neutrality.

PROGRAM OF THE CONGRESS OF INDUSTRIAL ORGANIZATIONS. There is little difference, in the final analysis, between the basic programs of the C.I.O. and the A. F. of L. We have seen how both federations are integral parts of the American labor movement. The ultimate aims and ideals of each, as representative parts of unionism in this country, are directed toward the improvement of wages and working conditions accomplished by means of processes of collective bargaining.

An organization as young as that of the C.I.O. has not had time for full development, to say nothing of an opportunity for its program to become well crystallized and formulated. For this reason a review of the C.I.O.'s program must be made with a full consciousness of the dynamic nature not only of its structure, but also of the policies and program which are the product of this structure. As nearly as can be determined so far, the program of this federation includes:

1. *Unemployment Policy.* At the C.I.O.'s first constitutional convention, held in the fall of 1938, a threefold approach to the problem of unemployment and relief was outlined. There is need for an "adequate Federal program of public work integrated in its direction and sufficient to employ all employable workers who cannot find work in private industry."³⁹ An adequate unemployment compensation system must also be maintained. Finally, any acceptable program must provide for the extension of adequate relief to those who may be unable to secure private employment. The C.I.O. has urged that this relief must be maintained throughout the country upon a uniform level which is sufficiently high to provide for minimum standards of health and subsistence.

2. *National Labor Relations Board.* The C.I.O. feels that the operation of this important agency has resulted in at least three definite gains for organized labor:

- (a) It has outlawed the old-style company-dominated union, or employee's representation plan.

- (b) It has furnished an effective method of protecting labor against wholesale anti-union or "union-busting" drives.

39. *Report of the President* (John L. Lewis), *op. cit.*, p. 20.

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(c) Through election machinery provided in the Act, it offers a means for the peaceful settlement of labor disputes, thus lessening the exercise of labor's right to strike.

The chief defect in the Act, as seen by this organization, is in the long delay involved in the settlement of cases coming before the Board. This deficiency can be met by larger appropriations and the strengthening of personnel. Then, too, the C.I.O. sees in recent Board activities a tendency to render decisions against it and in favor of the A. F. of L. in order to appease the latter body and to pacify many critics who have openly attacked the Board through the press. This offers the real possibility of a prolonged struggle for basic amendments to the Act.⁴⁰

3. *Protection against Violations of Civil Liberties.* An outstanding accomplishment claimed by this federation is found in the creation of a special division in the United States Department of Justice to handle civil liberties. The division functions by receiving complaints of violations of civil liberties by local authorities, by assuring that genuine investigation will be made of each case, and by the constant issuance of warnings sent to local authorities informing them of penalties imposed because of federal law violations. "During the course of the Federal Barge Lines strike involving Inland Boatmen along the Mississippi, the local authorities in several towns began a campaign of terror and violence against the strikers and union leaders. Prompt protest brought about an investigation, and the local district attorneys were instructed to advise the local officials to cease their lawless actions and threats."⁴¹ Activity of the civil liberties section of the Department of Justice was instrumental in curbing the local officials. The legal department of the C.I.O. is responsible for seeing that these protective devices are continually offered its membership.

4. *Legislation.* The major legislative policies thus far pursued have been devoted mainly to three causes: the protection of the National

40. On December 17, 1939, the C.I.O. announced a legislative program calling for three amendments to the N.L.R.A. One would prevent the Board from "carving up any industrial units," a second would provide criminal penalties for employers convicted of violating the Act, and a third would prohibit the federal government from awarding contracts to employers who have violated the law.

41. *Ibid.*, p. 37.

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Labor Relations Act and the Fair Labor Standards Act against unwarranted and prejudiced attack; the enactment of favorable legislation insuring the right of collective bargaining in government contracts under the Walsh-Healey Act; and the protection of civil liberties. The program calls for continued efforts to be expended in these directions.

5. *Social Security.* Three weaknesses are seen in the administration of the Social Security Act. First, the Board has failed to bring about a full understanding on the part of the workers covered under the various social security laws. It has, furthermore, failed to assume a position of leadership in the administration of the various social security programs subsidized by the federal government. Finally, the Board is criticized because of the secrecy surrounding its decisions and policies.

But there are also weaknesses in the Act itself which the C.I.O. hopes to assist in correcting. Adequate standards for unemployment compensation must be established, and both benefits and coverage must be extended. Old-age pensions must be offered all aged people "upon the basis of a pension of \$60.00 per month at sixty years of age for individuals, and \$90.00 per month for married couples of sixty years of age."⁴² Substantial sums should be appropriated out of general tax funds by the government to supplement pay-roll taxes paid by the workers in support of this extension of old-age benefits. Permanent and total disability benefits should be provided. Full endorsement is given to the National Health Program, and affiliated unions are urged to develop co-operative and group health organizations, or other forms of medical services in order to assure their members and their families of medical care.

6. *Housing.* The C.I.O. pledges itself to close co-operation with the United States Housing Authority in making possible the construction of hundreds of thousands of housing units for the betterment of living conditions among laborers throughout the nation.

7. *International Affairs.* Democratic institutions should be safeguarded and peace should be preserved on the Western Hemisphere. The forces destructive to these institutions which establish fascism and war should be avoided.

42. *Ibid.*, p. 52.

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In outlining this broad program, President John L. Lewis has said: ⁴³

The C.I.O. unions possess the economic and political strength to achieve this program. The present increasing national productivity, with its resulting increase in national income, must be utilized to further a rapid expansion of social security for the masses of our people. There must be a strengthening of civil liberties and a protection of the rights of labor. There must also be an effective condemnation and prevention of profiteering, on the part of industrial and financial monopolistic enterprises, to meet the condition of rising prices. Finally, if the uncertain state of world affairs demands that plans must be made for a possible emergency of national defense, these plans must include provisions for adequate labor representation on all emergency bodies.

LABOR'S NON-PARTISAN LEAGUE. A growing conviction within the ranks of labor that a united front apart from petty party jealousy should be presented by the millions of laborers throughout the country gave birth in 1935 to the Labor's Non-Partisan League. The organization cuts through all political party lines, and binds together all types of labor organizations for the purpose of political action. The League's original declaration of purpose called for the re-election of President Roosevelt in 1936, but since that time its organization has been extended to every state in the nation upon a state-wide basis. Its philosophy is that no one union and no group of unions working alone will be successful. Under the name of the League, then, labor is called upon to co-operate with all other progressive, forward-looking forces, including all farmers, "to further the cause of labor in politics."

Labor's Non-Partisan League is thus an instrument through which labor can exert political influence in gaining the goals which are held by the federations as outlined above. It is not a *party*; it is an instrumentality, a technique. Its principal active bodies are the various state organizations bound together through the national body with headquarters in Washington, and consisting of affiliated local unions, central labor bodies, district councils, joint boards, and other united bodies. These local unions may be members of the A. F. of L., the C.I.O., the Railway Brotherhoods, the Worker's Alliance (representing the unem-

43. *Ibid.*, p. 49.

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ployed), the Negro Congress, or of bona fide independent unions bearing the approval of the League's State Executive Committee. The program of the League is well illustrated by the Declaration of Principles of one of the parent body's state organizations: ⁴⁴

1. To stand for the full and uncompromising preservation of the nation's priceless inheritance as incorporated in the Declaration of Independence and the Bill of Rights.

2. To encourage the practice and procedure of collective bargaining by protecting the exercise by workers of full freedom of association and self-organization.

3. To keep labor and social legislation in step with changing developments in our industrial life.

4. Through legislation and collective bargaining to make every job the best that the human mind can devise as to physical conditions, human relations, and wages.

5. To aid labor to play its part in the study and development of any economic policies for the future welfare of the United States.

6. To secure legislation providing for adequate cash compensation upon involuntary unemployment.

7. To secure for all, security in old age.

8. To secure the elimination of child labor, which depresses wages and working standards.

9. To secure for the youth of America the opportunity of proper training.

10. To make possible comfortable housing at moderate cost for all.

11. To bring about planned utilization of natural economy so that coal, oil, timber, water power, and other natural resources that belong to the American people shall be protected from predatory interests for future generations.

12. To secure and maintain the institution of democracy in our industrial and mercantile life in the public interest.

13. To maintain such democratic institutions as free speech, free criticism, free conscience, and the democratic belief in advancing progress through orderly changes of law, both civil and constitutional.

14. To co-operate with and assist the small farmer in improving his conditions.

15. To aid in securing the guarantee of civil rights for all racial and other minority groups regardless of race, color, or creed.

44. Labor's Non-Partisan League of California, *Minutes and Report*, State Convention, San Francisco, December 11-12, 1937, p. 5.

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16. To elect and to aid in the election to public office of persons who will advocate and strive to carry into effect these principles, and to unite all groups of labor organized for similar purposes toward this end.

Already serious antagonisms have made their appearances within this organization, especially between representatives of the C.I.O. and A. F. of L., and it is too early to predict its future. So far it has served in bringing together a number of local unions regardless of affiliation in the federations so that labor's strength might be felt in national and state politics. But the A. F. of L. particularly, as was indicated above, has become suspicious of the leadership within the League. Therefore, the official national body of the A. F. of L., at least, is not joining in its activities.

ATTITUDE TOWARD A NATIONAL LABOR PARTY. As might be expected, the traditional political philosophy of the trade union movement in America has not gone unchallenged. It has been denounced as totally inadequate for changing economic, social, and political conditions. A national labor party, patterned after the British Labor Party, has often been advocated as a more effective approach to the solution of labor's problems. Spasmodically, labor parties appear, such as the Independent Labor Party of Illinois, the Farmer-Labor Party of Minnesota, the American Labor Party of Greater New York, the Labor Party of the United States, and, most recently, the Farmer-Labor Party and the new American Labor Party of New York. Little progress has been made by these ventures.

The opinion is prevalent that there can be no real labor party in the United States because the labor union has made comparatively little progress here, approximately 25 per cent of our organizable workers being unionized, as compared with about 90 per cent in Great Britain. In this country it has become a maxim among political leaders that union labor, despite its boasts and threats, practically never delivers the so-called "labor vote." It is further urged that American labor is industrially and not politically minded, and that its problems are fundamentally economic rather than political. Unlike European labor, American workmen are said to seek comparatively little from the state, preferring to minimize governmentalism—the invasion of the government into industry—and to lay more emphasis upon the importance of

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effective collective bargaining. The questionable assumption is made that a labor organization cannot go into politics directly and remain a trade union.

Perhaps this is all true, but the protagonists of a labor party are unconvinced. They insist that collective bargaining is inadequate in a country where relatively few wage earners are unionized. Trade unionism, therefore, must be supplemented by a labor party that will enlist the vast majority of hand and brain workers in a progressive movement for social reform. By no means is it agreed that a strong trade union and an effective labor party are mutually exclusive and incompatible phenomena. The success of British labor refutes such an assumption. The constant expansion of governmental authority over employment relations may compel the inauguration of direct political action; it is doubtful if the essence of real industrial democracy—the goal of American labor—can be assured without direct political power. Then, too, it is frequently observed that the old American political parties are intellectually and morally bankrupt, evading real economic issues and dealing in meaningless generalities. The presence of a labor party would tend to have a salutary effect upon the political life of the country, and would give to the great mass of wage earners an opportunity to swing the balance of power to the cause of economic and social justice. It might even have the effect of reviving the faith of the American people in the integrity and efficacy of political institutions as instrumentalities of social progress. There is every reason to believe that if labor ever were to govern America, its government would be judicious and constructive. Responsibility seems always to breed caution and conservatism.⁴⁵

The proposal to create a labor party has repeatedly appeared in American trade union circles, even within the membership of the A. F. of L., the first real attempt to force the issue being made in the federation's convention in Chicago, in 1893. But the proposal has never received official blessing, and is not likely to for many years to come. The outlook for direct political action on the part of labor, except by such insignificant minorities as the Communist Party and the Socialist Party, is not reas-

45. Cf. J. E. LeRossignol, "Labor Government and the Social Revolution," *American Economic Review*, vol. 15, June, 1925, pp. 267-74.

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surging even to the most optimistic. American labor as a whole undoubtedly has more confidence in industrial action than in political action and is not at all convinced that a labor party is necessary or expedient. Trade unionists in this country are quite certain that the history of the American labor movement establishes definitely the wisdom and validity of their nonpartisan doctrine.

Questions for Class Discussion

1. What is "contemporary unionism"? Is it far different from the old-style unionism? Distinguish between its policies, its plans, and its program. Which are its positive and which are its negative aims?

2. Evaluate critically the effects of trade-union benefit plans on wage levels. Why is labor so often opposed to such programs?

3. How extensive today are labor union unemployment benefit programs for eligible members? Show how recent developments have brought changes in programs sponsored voluntarily by the unions. Describe one system sponsored by a national union.

4. What is union-management co-operation? Is it more widespread today than in the past? What parts do unions play in this action? Why are unions interested in such action and why do they sometimes oppose it? In what industries has it developed most widely?

5. Draw up an illustrative trade agreement for the silk hosiery industry. What parts are most significant to labor? To the employers? To the public?

6. Discuss carefully the reasons, as you see them, explaining why labor banks have not developed successfully in the United States. Are laborers capable of assuming the responsibilities of the entrepreneur successfully?

7. Why are labor unions interested in the support of a workers' educational program? Describe a typical day's activities at one of the labor colleges. How are those who attend chosen?

8. What is the fundamental difference, if any, between the economic philosophy of the A. F. of L. and the C.I.O.? Is there any marked difference in the political philosophies of these two organizations?

9. Point out the essential differences between the present-day legislative program of the A. F. of L. and that of 1929.

10. What are the chief differences in the legislative programs of the A. F. of L. and the C.I.O.? Do they seem to be so basic as to preclude an early peaceful rejoining of the two organizations?

11. Is Labor's Non-Partisan League a political "front" of the labor movement? Is there any chance of some such organization emerging in the United

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States as a unified and crystallized movement of labor? Could such an organization ever take the place of trade and industrial unionism?

12. Discuss carefully the forces which tend to encourage and those which tend to discourage the creation of a National Labor Party in America. How do you account for the seeming decline of the Labor Party in Great Britain? Has such a development occurred elsewhere throughout the world?

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Chapter 21

THE CO-OPERATIVE MOVEMENT

¶ **CO-OPERATION AND THE LABOR PROBLEM.** There are many reasons why the co-operative movement deserves the consideration of those who are interested in the problems of labor relations. Such a movement is built upon the fundamental principle of mutual interest which permeates constructive reform measures. Co-operatives are the embodiment of the spirit of determination that actuates the laboring class in its desire to improve its economic status by owning and controlling the agencies of production and distribution. The co-operative movement in general demonstrates the wisdom and sanity of peaceful, constructive action in approaching the economic difficulties that beset modern civilization. Finally, the accomplishments of the co-operatives in Europe and the United States are convincing proof of the ability of the working class, when ably led, to organize and operate business enterprises successfully. Although they dream of creating a new social order and hope for its eventual realization, the disciples of co-operation concern themselves primarily with the immediate problems of organizing and operating productive and distributive agencies.

THE NATURE AND FORMS OF CO-OPERATION. Co-operation may be defined as an organized, usually nonpolitical attempt on the part of associations of persons to own and control agencies of production, distribution, and credit for the satisfaction of their numerous wants. In a co-operative enterprise those who are members and use its facilities and services are its owners. They share equally in its administration, regardless of the number of shares held, and participate in accrued gains in proportion to their purchases from their respective associations. Mutual benefit rather than profit is the main motive behind co-operation. Co-

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operators recognize the importance of capital in the economic organization of society, but they seek to secure for themselves the advantages that accrue to the private enterpriser. The immediate objective of the movement is the elimination of the middleman, employer, and private capitalist, and the substitution therefor of collective ownership and control by associated co-operators. The ultimate aim is the development of a co-operative commonwealth organized and functioning in the interest of the community of producers and consumers. The latter aim is revolutionary, since the economic system is to be reconstructed, but the method of attaining this end is evolutionary and peaceful. "The immediate objective is economic—to make the pennies go farther, to eliminate the extra cost entailed by extravagant advertising and by high-pressure salesmanship, to handle only commodities of known good quality, and to fill an increasing number of human wants on a non-profit basis. . . . Its final aim is to supply every need of life, social and economic, without profit and by united effort."¹

There are four main forms of co-operation, although frequently the several forms exist within the same organization. First, there is *consumers' co-operation*, or the sale of commodities by an association of persons who desire to eliminate the merchant middleman and his profits, in the interest of those who own and patronize the business. Consumer co-operatives are business enterprises that supply the needs of members by distributing merchandise, and frequently by manufacturing or importing the commodities they sell. Sometimes, as in the case of farmers' co-operatives, the kinds of commodities distributed are of a specialized variety, such as machinery and equipment, feed, fertilizer, and other things needed in a particular industry. *Producers' co-operation* comprises the efforts of associations of workers who dispense with the services of the employer and appropriate for themselves the profits that would otherwise go to him. *Co-operative credit* consists of group ownership and control of capital resources with a view to obtaining for borrowers the gains that accrue to the private money lender. There is, finally, *distributors' co-operation*, which usually is sponsored by associa-

1. Florence E. Parker, "Consumers' Cooperation in the United States, 1920 to 1936," *Monthly Labor Review*, vol. 47, August, 1938, p. 224.

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tions of agriculturists who market their own products and so dispense with the services of the private trader and distributor. These are societies of producers for the purpose of marketing crops more efficiently and at higher prices, whenever possible. Since our interest is primarily in the problems of the wage-earning class, our discussion will be devoted largely to consumers' co-operation. An examination will be made of producers' co-operation and co-operative credit in order to show how these are related to particular difficulties which confront the laboring people.

A. CONSUMERS' CO-OPERATION

FUNDAMENTAL PRINCIPLES OF CONSUMERS' CO-OPERATION. Consumers' co-operative societies have several basic principles, some of which were established by the Rochdale Pioneers almost a century ago. The rigidity with which these principles are applied varies considerably, but everywhere they are regarded as the fundamental guide to co-operative practice.

1. *Open Membership.* Membership in the co-operatives is usually open to all who desire a share in ownership, irrespective of race, nationality, politics, or religion. In no sense are genuine co-operative societies closed corporations. Shares usually are of small denomination and are issued at par. In the United Kingdom the par value of a share is commonly £1. Shares of \$5 value are generally found in the United States, although here \$10 and \$20 shares are frequently issued or else members are required to purchase ten \$5 shares. The maximum amount of shares one may own is limited, the highest limit in Europe being \$1000. Members usually own from \$5 to \$25 worth of shares. Shares thus cost so little as to come within the reach of the lowest-paid wage earner, and often provision is made for payment on the installment plan or by automatic accumulation of dividends. This scheme renders cash payments unnecessary except for a small initial amount on allotment of shares. The steady growth of the co-operative movement is attributable in a large measure to this unusually convenient method of purchasing shares. Generally, co-operative shares cannot be sold from person to person,

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and they are not bought and sold on stock exchanges. Sometimes societies require members to hold at least one transferable share, which can be disposed of only by sale. The advantage of this requirement, especially for small and struggling associations, is that it helps to sustain membership and so to perpetuate the society.

2. *Democratic Control.* In all true co-operative associations the principle of one man, one vote is applied, irrespective of the number of shares held. Rigid adherence to this democratic principle has been instrumental in precluding the concentration of stock ownership and control which so frequently brings disaster to private joint-stock companies. In co-operative societies, moreover, voting by proxy is generally prohibited. Much of the confidence enjoyed by co-operatives has resulted from the practice of publishing at frequent intervals all of the accounts. Financial statements are usually detailed and complete, and there is none of the secrecy that has brought into disrepute so many private competitive enterprises. Members not only provide the capital of co-operatives, but decide the type of business that shall be carried on, control all general policies, and function on administrative committees. The day-by-day responsibilities of management are of necessity placed in the hands of elected executives and employees, but general policies remain under control of the membership. In smaller societies democratic management exists to a greater extent than in larger ones. There are central directing committees, as well as committees dealing with such matters as labor relations, education, and purchasing. Rotation of committee membership makes possible a diversified experience, develops interest in the enterprise, and cultivates loyalty to the movement.

3. *Limited Return on Share Capital.* The capital of co-operative associations is obtained from the sale of membership shares and savings borrowed from members. In order to avoid speculation, the interest is fixed at a low rate. Since share capital is not given voting rights, the owners of such capital can neither influence operating policies nor bring pressure to raise the return on capital funds.

4. *Distribution of Net Profits as Patronage Refunds.* The earnings of co-operatives, above expenses, interest, and reserves, are distributed to members in proportion to their patronage, that is, their volume of pur-

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chases and their use of the society's services. Patronage refunds, or dividends, are usually paid quarterly. Members are encouraged to use their dividends to purchase more shares up to the allowable maximum or to invest them in the co-operative's savings account or loan fund.

5. *Cash Sales.* A cardinal principle of genuine co-operation is cash trading, but both in Europe and the United States strict adherence to this policy has not always been possible. Credit sales have been conducive to a larger volume of business, and there has been a strong temptation to depart from the orthodox principle of cash trading. The strongest co-operative societies, however, appear to be those that have been able to refrain from extension of credit.

6. *Trading at Market Prices.* Trading at market prices is another of the orthodox principles of co-operation, and in Europe operation has usually been on this basis. This has not been so true generally in the United States, where co-operatives sometimes have engaged in price cutting to meet competition. The principal reason for the market price policy has been the desire to give the members a larger patronage refund than would be possible if lower prices were charged. Perhaps another reason has been the unwillingness of co-operatives to enter into cutthroat competition, which inevitably results from price cutting. In recent years there has been a tendency toward lower prices and smaller patronage funds. Especially has this been true where co-operatives have suspected that prevailing prices were arbitrarily fixed at high levels or the margin of profits was deemed excessive.

7. *Provision of Substantial Reserves.* In the past, numerous co-operatives have failed because they neglected to build up adequate reserves for the retirement of indebtedness, expansion of plant and equipment, extension of operations, and unforeseen emergencies such as depressions. An established policy of the best associations has always been to accumulate capital funds by setting aside regularly a portion of net surplus as a reserve fund, instead of distributing the entire amount in dividends.

8. *Promotion of Education in Co-operation.* Everywhere the co-operative movement engages in educational activities designed to recruit new members, to disseminate accurate information concerning the theory and practice of co-operation, and to assist old members in various ways.

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Substantial appropriations have often been made to cultivate interest in the movement, to train employees for leadership, and to educate members in the art of family budgeting and skillful buying.

9. *Political and Religious Neutrality.* Although in recent decades the co-operative movements in Great Britain and some other countries have sponsored their own political organization or sought an alliance with existing labor parties, co-operatives generally have endeavored to maintain neutrality in politics, as in religion. As indicated already, membership is open to all, irrespective of race, nationality, politics, or religion.

The privilege of trading at co-operative stores is not confined to members, although the volume of sales to nonmembers is not large. This may be attributed to the ease with which membership may be secured and to the fact that members are given a patronage refund on purchases. Generally only the best brands of merchandise are handled. In every country where the movement is well-established, special provisions have been made for the incorporation of the associations as nonprofit organizations.

THE ORIGIN OF CONSUMERS' CO-OPERATION. The origin of the co-operative movement is often associated with Great Britain and with the name of Robert Owen (1770-1857), manufacturer and reformer. The real inception of consumers' co-operation, however, came later, when the concept was given practical expression by a group of workers. In 1844 twenty-eight poverty-stricken flannel weavers, just emerging from an unsuccessful strike, formed the Equitable Pioneers' Society in Rochdale, near the city of Manchester, England. They subscribed to a fund for the purpose of purchasing flour, sugar, butter, oatmeal, and other necessities, which they sold to the subscribers at prevailing prices. The profits realized on sales were distributed periodically among the members. In this way they sought to combat the evils of unemployment, underemployment, exorbitant commodity prices, and adulteration of goods.

In the Rochdale society the first shares of £1 each were purchased by a very small fund accumulated at the rate of twopence a week. By permitting the dividend to accumulate until it reached £5 (about \$25) per man, a total of £140 was secured, which provided sufficient capital

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to rent a dilapidated old store building in a back street known as Toad Lane, in Rochdale. Because the members had to earn their living by work in the textile mills during the day, the store was open only a few hours on Monday and Saturday evenings. Immediate success crowned their efforts. Soon similar co-operative societies sprang up in England and, later, on the Continent. The first week's sales amounted to about \$10, but the volume soon expanded.

The success of the Rochdale experiment may be attributed to sound management, the abandonment of credit accounts, scrupulous attention to balances, apportionment of surplus earnings in proportion to purchases, and provision of an educational fund for the purpose of developing in the members the spirit and ideals of true co-operation. The growth of the co-operative movement soon exceeded all expectations. Even as early as 1864 the total co-operative trade was approximately \$14,000,000. The practical business sense of the founders, the removal of legal restrictions on investment, and the provision of legal protection for the funds of the societies were among the factors contributing to this growth.

The expansion of the co-operative movement in Great Britain was accelerated by the organization of the English Co-operative Wholesale Society (1864), the Scottish Co-operative Wholesale Society (1869), the Co-operative Union and the Co-operative Congress (1869), and the Women's Co-operative Guild (1883). The English and Scottish wholesales own and operate successfully factories and establishments for the production of clothing, cabinets, brushes, tobacco, preserves, groceries, soap, paints, and varnishes. Iron works, tin plate mills, coal mines, woolen mills, weaving sheds, tanneries, creameries, tea plantations, banking houses, and a merchant fleet are among the enterprises of the societies. Under the integrating and co-ordinating influence of these wholesale societies the British movement has had remarkable success, the total volume of business now exceeding \$1,000,000,000 a year and the total share and loan capital reaching approximately \$700,000,000. An amount considerably in excess of \$100,000,000 is distributed annually among members, which means that more than 10 per cent is saved on purchases. It is estimated that more than one hundred million people

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are members of the co-operatives in various countries and that the total annual business is about \$33,000,000,000.²

CONSUMERS' CO-OPERATION IN THE UNITED STATES. Although there were spasmodic attempts to organize co-operative groups in the United States late in the eighteenth century and in the early decades of the nineteenth, the first example of genuine consumers' co-operation in this country was the "buying club" or "division store" organized by a tailor in Boston in 1845. He induced the members of his union to buy their household supplies co-operatively and to distribute them at the weekly meetings of the union. This, it will be noted, was only one year after the inauguration of the Rochdale plan in England. Throughout the nineteenth century there were numerous attempts to organize a co-operative movement. The Knights of Labor, a general labor organization, actively engaged in promoting co-operatives as a part of its economic program during the early 1880's. American farmers soon were to approach the problem of co-operative buying and distribution even more enthusiastically than had the wage earners. Grange (farmers' society) stores, some of which were established by the Patrons of Husbandry shortly after the Civil War, have continued operations until now.

Consumers' co-operation in the United States has, however, had a checkered career. The movement has advanced and receded, more or less in sensitive reverse response to the business cycle, reviving and expanding in depression and falling off in periods of prosperity. The movement has not yet attained the maturity and stability that characterizes the European co-operatives, but encouraging progress has been made. This is evidenced by expanding retail societies, firmly established wholesales, a deepening interest in production activities, the development of an educational program, and the integration of local and regional societies into a national league. Because co-operative associations are predominantly working class organizations, they are quickly affected by conditions which change the status of laborers, such as unemployment and loss of income. Through the spread of unemployment, bank failures, business bankruptcies, and general hard times a large number of

2. *Report of the Inquiry on Co-operative Enterprise in Europe, 1937* (Government Printing Office, Washington, 1937), pp. 26, 123.

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societies were wiped out in the depression which started in 1929. Those associations which had adequate resources survived, and some even expanded. The depression also yielded a new crop of co-operatives.

The co-operative movement in the United States was given great impetus by the action of President Roosevelt in 1936 in appointing a commission to study the operation of co-operatives in Europe. The commission reported to the President in 1937, and subsequently there has been a quickened interest in the potentialities of the movement.³ Contributing greatly to the expansion of co-operation in this country is the Co-operative League of America, formed in 1916. The League is the central national federation of co-operative societies, the function of which is to bind these societies into a closer relationship and to disseminate information and propaganda in behalf of the co-operative movement. Consumers' co-operatives are associated with the League principally through the several regional leagues of the national organization. Dr. J. P. Warbasse, president of the League since its inception, has been an important factor in the development of the co-operative movement in this country in recent decades.

A survey made by the United States Bureau of Labor Statistics showed that in 1936 there were over 830,000 members in about 4100 retail and service distribution associations which were doing a business of approximately \$188,000,000 a year in the United States. Nearly 60 per cent of these co-operatives were store associations.⁴ The co-operatives are supplying a wide variety of goods and services from practically every kind of commodity to telephone, laundry, and recreational services. There were some 3600 associations engaged in retail distribution, of which 2400 were stores and buying clubs and 1150 were handling petroleum products. There were about 500 service associations furnishing such services as medical care, housing, burial, and meals. Local associations were affiliated with almost twenty wholesales. To assure the advantages of large-scale buying, most of these wholesales had joined in the forma-

3. *Ibid.* The members of the Commission were Jacob Baker, Leland Olds, C. E. Stuart, Robin Hood, C. V. Gregory, Emily C. Bates.

4. Florence E. Parker, *Consumers' Cooperation in the United States, 1936*, United States Bureau of Labor Statistics, Bulletin no. 659, p. 1.

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tion of "super" or giant wholesales. The wholesale business done by associations handling consumers' goods during 1936 was estimated at more than \$37,000,000.⁵ Accurate and complete data on the volume of business done by consumers' co-operatives in the United States are not available. The estimates of the current volume (1940) run as high as \$500,000,000, which probably constitutes less than 2 per cent of the total business of the country.

The American co-operative movement is found in every state in the Union, but its chief development has been in rural areas. The telephone and electricity associations are almost entirely rural. More than three-fourths of the store associations, having over three-fifths of the membership and nearly three-fourths of the business done by co-operatives in 1936, are in communities with a population of 5000 or less. The large cities have proved difficult places in which to establish co-operatives. The reasons for this are the efficiency of private retail distribution, the low prices in chain stores, with which small co-operatives cannot compete successfully, the difficulty of bringing city people together in homogeneous groups, and the obstacle of long-established buying habits of housewives.⁶ This does not mean that cities are immune to co-operative influence. European and American experience proves that successful associations can be organized in metropolitan areas, even though at first the task is a difficult one.

Certain other characteristics of the consumers' co-operative movement in the United States are noteworthy. Although there are some very old co-operative societies here, nearly 45 per cent of those reporting in 1936 had been formed since the beginning of the depression that started in 1929. Retail distributing societies are generally small. In 1936, for example, about 70 per cent of them had fewer than 250 members, and only 3.5 per cent had attained what in Great Britain would be considered a fair-sized society (1000 members or above).⁷ Some encouragement is found in the fact that several American retail distributing associations in 1936 had sales exceeding \$1,000,000 each, even though the average sales per association for the year totaled only \$81,058, and nearly half of the total had sales between \$25,000 and \$100,000. The majority of these

5. *Ibid.*, pp. 5-6.

6. *Ibid.*, pp. 8-9.

7. *Ibid.*, p. 10.

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associations are operating at a profit. Regular current prices are generally charged for merchandise, and either part or all of the net surplus, above expenses and reserves, is returned to members as a patronage refund. Refunds usually range from 2 to 6 per cent of sales for the store associations, but the refunds for the petroleum organizations are nearly double this amount. In 1936, about 62 per cent of the petroleum associations and about 38 per cent of the store associations made patronage refunds. It must be remembered that the failure of associations to make refunds is not an indication of unprofitable operation, but rather that surplus is being used to pay off indebtedness, to provide additional working capital, to build up reserves for possible emergencies, to make necessary repairs and additions to plant and equipment, or to expand operations into new lines of merchandising.

The co-operatives in this country now manifest a more widespread tendency toward practical policies. Greater stress is placed on the necessity of educational campaigns prior to organization and establishment of stores; more reliance is put upon facts and less upon unthinking enthusiasm and exaggerated claims that characterized the earlier stages of development; better accounting systems are installed; closer attention is given to operating efficiency; the hazardous cost-plus basis of operation has almost disappeared; and credit sales are being discontinued by an increasing number of associations.

Considerable improvement both in organization and operation must be made in the American movement if it is to attain the heights of success registered by the movement in Europe. Even greater emphasis on the value of educational work must be made; too many well-established associations are still indifferent to the importance of education and propaganda. Frequently, responsibility and authority are permitted to drift almost exclusively into the hands of managers, which results in "one-man" associations. The capitalization is often insufficient to provide adequate financial strength and allow vigorous growth. Too little attention is devoted to the problems of employment relations, such as hours and wages, and progressive policies of personnel administration which conduce to operating efficiency and loyalty to the movement. Improved methods of merchandising are disregarded in many cases;

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there is too little attention to the importance and merchandising value of attractive window displays, well-arranged goods, adequate stocks, and up-to-date fixtures and layout, with the result that co-operative stores compare unfavorably with private competitors.⁸

REASONS FOR THE SLOW DEVELOPMENT OF CONSUMERS' CO-OPERATION IN THE UNITED STATES. In practically every country of Europe and some countries of the Far East, notably India and China, the co-operative movement has long been an established phase of economic life. As we have seen, the volume of business handled by such a system is extraordinarily large. Until recently, the movement in the United States has given no promise of such expansion and success. This is not difficult to explain. In new countries like the United States, the abundance of economic resources and the opportunity for economic prosperity develop a powerful spirit of individualism and competitive achievement. There is neither the economic necessity nor the individual inclination to develop a system of co-operative enterprises. But these conditions change as population becomes congested and the masses are forced to buy more economically. The high costs of retail distribution in the United States may be a significant factor in the eventual development of a widespread co-operative movement here. A recent survey revealed: "... about 59 cents out of the consumer's dollar goes for the services of distribution and only 41 cents for the services of production. . . ."⁹

The slow growth of co-operation in the United States can be explained by many specific causes. Geographic isolation of individual societies has prevented solidarity and mutual protection. Many of these societies have been organized by men totally ignorant of sound business principles and methods. The absence of a spirit of thrift among American wage earners has precluded the appeal of small economies. Racial and national prejudices have kept native workmen from joining the co-operative societies formed by the foreign born. Not infrequently, unscrupulous managers have administered the stores for selfish purposes. Excessive extension of credit, a serious departure from pure Rochdalism,

8. *Ibid.*, p. 17.

9. Twentieth Century Fund, *Does Distribution Cost Too Much?* (New York, 1939), p. 334.

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has often resulted in the accumulation of bad debts and bankruptcy. Similar disaster has been caused by the attempt to sell commodities below cost rather than at prevailing prices.

The strong competition of immense chain stores, department stores, and mail-order houses, capitalized at millions of dollars and able to cut prices, has obstructed the growth of co-operative enterprises here. Sometimes the co-operative movement in this country has degenerated into an aggressive labor movement, placing more faith in industrial warfare than in co-operative buying and selling. The relatively high mobility of the American wage earner has not encouraged a permanent interest in co-operative societies in particular localities. The absence of strong wholesale societies has placed the co-operative retail stores at the mercy of private wholesalers. The lack of centralized administrative, publicity, and educational agencies has contributed to the failure of the movement.

Finally, opportunities for advancement have been so great for the man of exceptional ability that he has chosen either to work for a private corporation at an attractive salary or to go into business for himself rather than to enter the co-operative movement. Many of these causes are being eliminated and the future is more promising.

RESULTS AND ACCOMPLISHMENTS OF CONSUMERS' CO-OPERATION. The fears of its enemies and the hope of its friends that consumers' co-operation would displace private enterprise in the wholesale and retail distributing fields, and perhaps in production, have not been realized. Although consumers' societies have become a part of the business structure of the various countries in which they operate, they have not ruined private enterprise. The new competition which the co-operatives have introduced has compelled private manufacturing and mercantile establishments to modify their selling policies and practices, but on the whole capitalistic enterprises have adjusted themselves successfully to the new competition. In fact, co-operatives and private establishments alike have learned from each other, and mutual advantages have been gained as a consequence.

Whether the co-operatives can triumph ultimately or even survive in the severe competitive struggle with that relatively new and strikingly

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successful institution, the chain store, remains to be seen. In the United States this form of merchandising has existed the longest and gone the farthest; therefore, the situation which confronts co-operatives here is much more difficult than that faced by British and European societies. European and British co-operatives developed in a period when private merchandising was inefficient. By setting new standards of efficiency, reducing costs, improving quality of merchandise, and paying dividends to member-purchasers, the co-operatives in those countries made remarkable progress. In Europe the chain store is a much more recent arrival in the merchandising world than it is in the United States, but already in England, Wales, and elsewhere the chain-store business is growing more rapidly than the co-operatives, and this is quite likely to be true in other countries in the future. Co-operatives are able to keep down retail operating margins by low capital costs, large volume of trade, lower executive salaries, standardized goods, and mass buying, but some of these advantages are certainly within reach of the chain stores and mail-order houses. In some countries, of course, tax laws are favorable to the co-operatives, thus yielding a competitive advantage for them. The outcome of this co-operative-competitive struggle for survival is not predictable.¹⁰

Whatever may be the final result of the struggle between the co-operatives and the chain stores, the accomplishments of the co-operative movement among consumers have been many and genuine. Only a brief summary of these results is possible here.

1. *Improved Methods of Merchandising.* As indicated above, the co-operatives have introduced many economies and efficiencies in the distribution of merchandise. Reduced costs, large-scale buying, standardization of goods, improved quality of merchandise, and profit sharing are only a few of the attainments in this direction. The savings accruing from these improvements have gone to consumer-members and have not only made possible a higher standard of living for an increasing number of people but have contributed to economic security and stability.

2. *Encouragement of Thrift.* The promotion of thrift among a class of people who ordinarily save little is often described as the outstanding

10. Cf., *Report of the Inquiry on Cooperative Enterprise in Europe, 1937*, p. 3.

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achievement of the co-operative movement. Saving is easier when considerable amounts of money are returned regularly to purchasers in the form of patronage refunds or dividends. The possibilities of thrift are in this way made very clear. The cash-purchase policy of co-operatives is in itself a stimulus to thrift. The too convenient time-purchase policy of private establishments is likely to have a negative influence on saving. The larger co-operatives, moreover, have become great savings institutions. Loss of savings is practically unknown among them, and this fact has encouraged the growth of deposits. In cultivating the habit of saving among its members the co-operative has contributed greatly to economic security.

3. *Consumer Education.* It is generally recognized that in a world of private profit seeking the consumer is almost helpless to protect himself against the wiles of the unscrupulous and dishonest seller of goods and services. This explains the rise of consumer-research agencies and similar organizations designed to safeguard the buyer. The co-operatives have a definite program of consumer education. Intelligent buying, family budgeting, and the elementary principles of consumer economics are taught their members. Through this program economy and thrift are encouraged.

4. *Exemplary Employment Policies.* The standards of wages, hours, and conditions of employment maintained by co-operatives have generally been high. Although this is more widely true of Europe than of the United States, definite steps toward better standards are being taken here. On the whole, these societies have set a commendable example for private employers in the matter of personnel policies and practices.

5. *Discouragement of Monopoly.* By inaugurating co-operative competition, consumers' co-operative associations have discouraged the tendency of private merchandising combines to fix prices arbitrarily at unreasonably high levels. Since membership in co-operatives is easy to obtain, consumers who wish to do so may escape the exploitative practices of private monopolies.

6. *Better Citizenship.* The material results of the co-operative movement have been no greater than what idealistic and enthusiastic co-operators call the "spiritual values." Life permeated with the ideal of

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co-operation is, they contend, infinitely richer than life revolving around the crass materialism of capitalistic competition. Be this as it may, there is every reason to believe that better citizenship is advanced by the development of ability and responsibility through membership on the various committees of co-operative enterprises, the encouragement of thrift, and the cultivation of consumer intelligence. There is here a social dividend that cannot be denied.

B. PRODUCERS' CO-OPERATION

CHARACTER AND ORIGIN OF THE MOVEMENT. Under a system of true producers' co-operation, self-governing workshops are organized and operated. The workmen furnish or borrow the capital, own or rent the establishment, determine their own conditions of employment, elect administrative committees, and share in the distribution of profits. The principle of one man, one vote is applied, and all workers in the enterprise are admitted to membership. Producers' co-operation consists of associations of workmen who work by themselves for themselves and keep the whole product of their toil; they work not with but without the employer.

The medieval guilds were examples of producers' co-operation, but with their decay workers lost their partnership status, and under later industrial organization the functions of employer and employee became sharply differentiated. Soon in almost every country societies of workmen were organized to re-establish co-operative control of production. The movement goes back to 1777 in the United Kingdom, to 1834 in France, and to 1833 in the United States. Nowhere have producers' societies achieved great success.

WHY PRODUCERS' CO-OPERATION HAS FAILED. The obstacles encountered by co-operative associations of producers are many, and these explain the general failure of the movement. Where methods of production are simple and the amount of capital required is small, producers' co-operation in its original form may succeed, but modern industry is so complex and the amount of capital required is so large that associations of workmen are seldom able to engage in co-operative production. Because

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workingmen's associations are not often able to produce cheaply enough and in sufficient quantities to satisfy the demands of consumers, it is difficult for them to build up a trade. This explains why such associations in England and France have disposed of their products to consumers' co-operative societies or to the government. Managerial ability has been scarce among the workers, chiefly because of the lack of education and business experience. Even when efficient executives have been found, the workers have seldom appreciated the importance of business ability and have been unwilling to pay the managers a share equivalent to their earning capacity. When co-operative producers are successful they are inclined to make their associations closed corporations, refusing to admit new members and engaging hired employees.

The results of producers' co-operation have not all been adverse. The ideal of the founders here, as in consumers' co-operation, has not been realized, but these associations have frequently given their members greater permanence and regularity of employment, improved conditions of labor, and larger incomes. It has been claimed, moreover, that such experiments have improved the character of the workers, introduced true democracy in industry, and increased production.

C. CREDIT UNIONS

THE NATURE AND FUNCTION OF CREDIT UNIONS. Credit unions are co-operative credit associations which generally serve small borrowers who can offer little or no security except their own personal integrity. The loans made by such associations are usually described as "character loans," that is, loans made without any security other than the personal note of the borrower, the value of which depends upon his sense of responsibility in financial matters. Although credit union funds come principally from the share capital provided by members, a great many members never use the credit facilities of the union.

There are several basic general principles upon which credit unions operate. They are like those which govern consumers' co-operatives. Membership is open to persons of good moral character who have a community of interest with the credit union group. Membership fees

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are low, and the shares, which are in small denominations, are payable in installments if necessary. The unions are democratically controlled, with directors and committees elected by and responsible to the members. Each member has only one vote, irrespective of the number of shares he holds. Only members may obtain loans. Directors, officers, and committee members cannot secure loans except in amounts equivalent to their total share holdings. Loans are made only for productive purposes and to meet pressing needs and emergencies. The rate of interest is generally low, and is usually payable only on unpaid balances. Net earnings are returned as dividends on all fully paid shares of stock.¹¹ So-called "remedial loans," that is, loans for such purposes as the payment of the cost of sickness, funeral expenses, or accumulated debts, form a very large proportion of the total loans made by credit unions. Frequently they are made for educational purposes, house repairs and improvements, payment of insurance premiums, taxes, and similar needs.

THE GROWTH OF THE CREDIT UNION MOVEMENT IN THE UNITED STATES. Although regarded as only a semi-cooperative institution, the credit union represents a fast growing phase of the co-operative movement in the United States. Because he is always at the mercy of unscrupulous loan sharks, the wage earner finds the credit union of especial interest; it is for this reason that a very close alliance may be developed between the consumer co-operatives and credit unions.

The expansion of the credit union movement was accelerated by the passage of the Federal Credit Union Act in 1934. The movement was advanced also by the Great Depression, because of the increased need of the small borrower for credit and the general loss of savings occasioned by the failure of banks and building and loan associations. Although New England was the birthplace of the co-operative credit union in this country, these societies have been organized in every state in the Union. It is estimated that the 5440 credit unions in operation at the end of 1936 had a membership of 1,210,000 persons and made available to more than a million borrowers credit totaling \$112,135,000. Not only were

11. Parker, *op. cit.*, pp. 116-7.

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loans furnished at moderate rates but dividends of \$2,000,000 were returned to members on the transactions of the year.¹²

In 1936, about 61 per cent of the credit unions of this country had been formed among employees of industrial firms, and almost 25 per cent drew their membership only from public employees. The largest groups of credit unions were in manufacturing industries, public utilities, and certain departments of the United States government. Consumers' co-operatives have manifested a deep interest in co-operative credit because credit unions are especially valuable in connection with co-operative stores. Store members who are unable to pay for groceries and other necessities obtainable at the co-operative can borrow from the credit union. Interest rates range from 6 per cent to 13 per cent a year, interest being computed at the time each payment on the principal is made and only on the amount still unpaid. Private loan sharks frequently charge loan fees and require interest on the total principal of the loan regardless of the amount repaid. The majority (about 85 per cent) of the credit unions have never had any losses from the failure of borrowers to repay their loans.

Although institutions resembling the present credit union existed in the United States as early as 1892, the first credit union formed under statutory authority was started in Manchester, New Hampshire, in December, 1908. This credit union, *La Caisse Populaire Ste. Marie*, was organized under a special charter. The first general credit union act was passed by the legislature of Massachusetts in May, 1909. New York, Texas, and Wisconsin passed similar legislation in 1913. Other states followed until now such societies are found in every state. Although Massachusetts held the lead in the volume of business done, by 1936 Illinois exceeded it in the number of associations formed. The movement received great impetus by the passage of the Federal Credit Union Act of 1934. Credit unions in states not having a credit union law may incorporate under the federal act, as may those where the state law is not deemed satisfactory. At the end of 1936 there were 5440 credit unions in the United States, of which 3575 were state associations and 1865 were

12. *Ibid.*, p. 115.

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federal associations. The total estimated membership was 1,209,902, of which the state associations had 893,932 and the federals 315,970. During the same year all the credit unions loaned more than \$112,000,000 to some 1,035,000 of their members, and more than \$2,000,000 was returned to members in dividends on share capital.¹³

The credit union movement in this country owes its expansion largely to the interest and activity of the late Edward A. Filene, noted Boston merchant, who financed to the extent of \$1,000,000 the Credit Union National Extension Bureau, formed in 1921. The purposes of the Bureau were to secure the enactment of adequate state laws for the establishment of credit unions, to assist in the promotion of credit unions along approved lines, and to aid in the federation of local associations into state credit union leagues. The bureau was responsible for the rapid enactment of state credit union laws subsequent to 1921, and the Federal Credit Union Act of 1934. In 1934 the bureau was discontinued but was succeeded by the Credit Union National Association, with headquarters at Madison, Wisconsin, which is a federation of some 41 statewide credit union leagues. Besides these leagues, city and district chapters have been formed to deal with local problems and to perform certain mutual aid services. In May, 1937, there were 250 such chapters.¹⁴

THE CO-OPERATIVES AND LABOR. In general, co-operative societies endeavor to maintain a cordial relationship with their employees and to provide satisfactory standards of wages, hours, and conditions of employment. European societies have been more successful in maintaining high labor standards than have the American, for reasons that will become apparent in the course of our discussion.

Turning to Europe first, we find employment relations and conditions on a uniformly high level. On the whole, wages are somewhat higher in the co-operative societies than in private employment, except where rates of pay are set by unions, in which case the standards tend to be the same. Not infrequently, the co-operatives pay rates of wages higher than the union scale, in some instances 10 to 15 per cent above the rates for corresponding workers in private enterprise. Women in co-operative employment generally are paid lower wages than men, even for the same

13. *Ibid.*, pp. 115, 120.

14. *Ibid.*, p. 169.

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type of work, just as in private employment. Hours worked by co-operative employees are appreciably fewer than in private industry, and the 48-hour week is common. Conditions of work are uniformly favorable. Although the closed shop is not usually favored by the co-operatives, they accept collective bargaining and trade agreements as necessary and legitimate. Between 85 per cent and 95 per cent of the co-operative employees of Great Britain are union members. Strikes and lockouts are uncommon because the difficulties that arise between the co-operatives and their employees are settled by conciliation, adjustment, and arbitration.

Numerous benefits are provided by large numbers of European co-operatives. These include medical aid to employees and their families, sickness insurance, vacations with pay, recreational facilities, bonuses, pensions, and death benefits. Every effort is made to promote stability of employment, with the result that co-operative employees feel quite secure in their jobs. It is not strange, therefore, that co-operative stores generally have a waiting list of applicants for jobs and that their standards of labor conditions and relations have had a favorable influence upon private employment.¹⁵

The picture is not so encouraging with regard to co-operatives in the United States, although employment relations between the associations and their employees are fairly satisfactory. That the position of co-operative employees is less favorable here than in Europe is attributable to the fact that in this country co-operatives are still necessarily preoccupied with the immediate problems of organization and survival. Unrest as manifested in strikes and lockouts has not been widespread. Wages and hours in co-operative employment are somewhat less favorable than in private employment. In 1936, for example, the average weekly working time for all types of associations was approximately 50 hours, and the largest proportion of employees were working between 48 and 60 hours a week. Only about one-fifth of the employees were

15. For a detailed discussion of this subject, see *Report of the Inquiry on Co-operative Enterprise in Europe*, 1937, chap. xii; and *Conditions of Work of Employees of Consumers' Cooperative Societies*, International Labor Office, Cooperative Information, nos. 1 and 2, Geneva, 1938.

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working 48 hours or less. Private employees, on the other hand, worked an average of about 46 hours a week. The wage level of co-operatives was about 5 per cent below that in comparable or identical private jobs. Co-operative employees, of course, have the advantage of patronage refunds on their purchases. One must remember also that about seven-tenths of the co-operative retail trade is done in communities of less than 5000 population, where living costs are usually lower than in cities.

American co-operatives are as a rule friendly to labor and to labor organization. Many associations not only have assisted unions during strikes and lockouts, but have shown a preference for union-label goods and goods known to be made under favorable labor standards. Farmers' co-operatives have been less friendly than co-operative societies of industrial workers. In 1930 the Co-operative Workers' Union was organized in an attempt to form an industrial union, but it was not successful and it disbanded in 1937. Various benefits and facilities are provided by American co-operatives for their employees. Among these are lunch-room facilities, lockers, shower baths, lounging and recreational accommodations, life insurance, and vacations with pay. Employment in these associations is quite stable and employees have relatively long service records.¹⁶

The infrequency of unrest, strikes, and lockouts in co-operatives in the United States, despite the existence of somewhat undesirable labor conditions, is attributable to a number of factors. The large majority of the associations are small and operate in rural communities where labor organization is uncommon. A great many of the employees are also members of their respective societies. Imbued with the co-operative ideal and eager to make the societies succeed, these employees are reluctant to put forth labor demands that would handicap their associations in competition with private enterprises. They know that the associations would, if they could, pay better wages, work fewer hours, and introduce better conditions of employment. Because the membership of co-operatives is drawn principally from farmers and wage earners whose incomes are not large, unfavorable labor standards are accepted more willingly than they would be in private establishments, since workers

16. For a more complete discussion of this subject see Parker, *op. cit.*, chap. 9.

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in the latter would not hesitate to strike. Finally, as indicated above, the cost of living is lower in the smaller communities in which co-operatives exist. As the co-operatives grow larger their employees may be less tolerant of unsatisfactory working conditions.

CRITICISM AND EVALUATION OF CO-OPERATION. Although the fundamental ideal of co-operation has not been widely assailed, except by private business interests that greatly fear the inroads by co-operative competition upon the profit domain, many objections have been raised by its opponents against the practicability of co-operative ventures. Co-operation, it is urged, tends to lower prices or at least to prevent their necessary rise, but does not increase wages. Because employers are inclined to take advantage of savings made to the workers from co-operative buying and to make such savings an excuse for not advancing wages, it is suggested that real wages are actually lower as a consequence of the co-operative movement. Also, it is sometimes stated that workers who belong to co-operative societies try to keep down the cost of operation by paying employees a low wage and working them long hours. Experience for the most part refutes these charges. As indicated in the preceding pages, these criticisms are more largely true of the relatively youthful movement in the United States than of the mature movement in Europe. There is no evidence to prove that the co-operative movement has prevented a rise in real wages, much less caused a reduction in them. As we have seen, the co-operative stores of Europe pay their workers from 10 to 15 per cent higher wages than prevail in private industry, and as a rule pension old workers.¹⁷ Even in the United States, where the co-operatives generally are small and struggling for survival, the wage discrepancy between the co-operative stores and private establishments is not great and will disappear as the associations are firmly established. Viewing the co-operative movement throughout the world, it is evident that the societies usually refuse to enter cutthroat competition by selling below market prices, and provide higher wages, a shorter workweek, and better conditions of employment than are found in private enterprises. Co-operatives generally pay their executives considerably less than do private firms, but as a rule they pay above the prevailing

¹⁷. *Report of the Inquiry on Cooperative Enterprise in Europe, 1937*, p. 3.

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wage rates to labor, require shorter hours, and are more liberal than private employers with vacations and sick leaves.

Many insist that instead of being a social organization seeking to eliminate the fundamental motive of capitalism, namely, profit making, the co-operative society is an association of dividend-hunting, self-seeking persons who have no special social and public spirit. While there is a modicum of truth in this accusation, the experience of co-operation in every country manifests a sacrifice and devotion to the common good on the part of those men and women who direct the co-operative movement.

Certain critics contend that co-operation tends either to develop numerous small, competing organizations or great monopolies that result in public harm and stimulate the movement toward socialism. Federation is eliminating rivalry of interest between the competing societies, and there is no reason to believe that these organizations which are created for mutual benefit will result in public injury. Co-operative competition precludes domination by private monopolies because the co-operatives prevent the manipulation of prices by private combines. Co-operation does not necessarily lead to socialism; if it does, the method is both evolutionary and constructive.

Some ardent trade unionists believe that the co-operative movement weakens labor organizations, since profits are sought and improvement of industrial conditions is disregarded. As a matter of fact, in every country trade unionism and co-operation are powerful allies in the cause of advancing the political and economic interests of the workers. The sympathies of the co-operative leaders invariably are with the wage-earning class. Co-operation is not a substitute for but a supplement to unionism.

Radical leaders of labor complain that co-operation is a middle-class movement, and therefore is not to be relied upon in the struggle to overthrow capitalism. There is evidence that in some countries the middle class is gaining control of the movement, but in most countries it is controlled by men and women from the wage-earning class. The opinion of social revolutionists is that co-operation is a compromise with capitalism. It is true that even in its most idealistic form co-operation aims

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at an evolutionary displacement of capitalism rather than a revolutionary demolition of it, but there can be no question that orthodox co-operation seeks to substitute a co-operative commonwealth for an individualistic one. More constructive radicals endorse co-operation as an effective agency for economic reorganization, and Russian experience indicates that the co-operatives are an invaluable institution in times of social transition.

Pessimistically inclined labor leaders and workers insist that co-operative societies are too difficult to establish to warrant confidence in their general success as a reform measure for the working class. There are serious obstacles, especially in the United States, where private merchandising has attained unparalleled efficiency, but the phenomenal growth of co-operation throughout the world is striking evidence of its potentialities as an agency of economic reform.

Co-operation has an enormous grasp upon the common people of many countries; they have a deep faith in its efficiency as an instrument for social and economic readjustment, if not reconstruction. It has not transformed nor regenerated capitalism, and the co-operative commonwealth has not been established. Within the shell of the present economic order, however, the co-operative movement is capable of bestowing immeasurable benefits upon the workers. Alone, co-operation will not solve the problems which confront the wage-earning class, but in conjunction with unionism and other agencies it will help to protect the workers' interests as consumers against those who would exploit them. The advantages accruing to the working class from co-operative enterprises are many. Aside from the monetary benefits derived, co-operation acquaints its supporters with the practical methods of business organization and operation, develops an intelligent interest in the economic and political life of the nation, promotes the spirit of mutual service and altruism, and creates a financial reserve and organization to aid the workers in periods of unemployment and economic distress.

The loyalty of the leaders and the rank and file of the co-operative movement has never been questioned, and the effectiveness of both the producing and distributing units of the movement in times of national emergency has commanded the highest praise.

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The ideal of co-operation will survive because it is founded upon the finest principle of human conduct, namely, mutual service. It will ever constitute one of the most rational methods of economic and social readjustment. This is why it is sometimes described as the "middle way." Thorough, objective studies of the co-operative movement have always led to the conclusion that, while it has its quota of errors, it has brought to substantial portions of mankind such values as new hope, pride of ownership, a sense of self-respect, a higher standard of living, and a noble conception of human relations.

Questions for Class Discussion

1. What value may the co-operative movement have in developing intelligent leadership for the labor movement?
2. What is the general nature of the co-operative movement as conceived in terms of its immediate purposes and ultimate objectives?
3. What are the forms of co-operation? Which forms do you think involve the most immediate economic interests of the wage-earning class?
4. Examine critically the fundamental principles and policies of consumers' co-operation based on the Rochdale plan. Are these principles and policies sound from a business standpoint?
5. How do you explain the success of the co-operative movement in Great Britain which is the traditional home of private enterprise?
6. How does the consumers' co-operative movement of the United States differ from the movements in other countries? How do you account for these differences?
7. What are the reasons for the slow growth of consumers' co-operation in the United States? Is there any evidence of accelerated expansion? If so, what conditions are responsible for this change?
8. Summarize the results of consumers' co-operation at home and abroad. Do you regard these as sufficiently significant to warrant the hope that co-operation will in the future assist greatly in the solution of many serious economic problems?
9. Why has producers' co-operation not been generally successful? Despite its comparative failure, does this movement have genuine possibilities as an experiment in the democratic ownership and management of industry?
10. What is the nature of the credit union? Do you think that the objectives of this movement are sufficiently desirable to warrant its general support by those who seek amelioration of the condition of the laboring class?

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11. Do you think that the labor policies of the co-operatives are in harmony with the best standards of labor management?

12. What is your own evaluation of the co-operative movement, first, as a means of immediately improving the standard of living of the working class, and second, as an agency of economic readjustment?

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Chapter 22

SOCIALISM

¶ THE MEANING OF SOCIALISM. Of all the comprehensive solutions for problems of industrial relations the most radical and far-reaching is socialism. All other reforms are regarded by socialists as temporizing expedients, mere palliatives, to be tolerated only so long as society fails to appreciate thoroughgoing proposals for social reconstruction. The present economic system needs not mere mending but complete reorganization, according to the socialists. This challenge of complete economic and social reconstruction has appealed to a large segment of the wage-earning class in every industrialized nation and has been accepted by many in countries which are predominantly agricultural.

The term socialism as used to indicate a humane and liberal individualism was first used in 1827 in the Owenite *Cooperative Magazine* in England. As used in opposition to individualism the term was first employed by Pierre Leroux, a French socialist, in 1838. Accepted in this stricter sense, socialism has always connoted a movement of revolt against the evils of the capitalistic system, dominated by the spirit and practices of *laissez faire* and obsessed with the sanctity of private property. It is essential to remember that the term socialism has never had a fixed connotation; it has never designated a consistent type of philosophy or body of doctrine. This is why its critics have complained that no two socialists agree in their conception of the aims and methods of the movement, and have insisted that there are as many varieties of socialism as there are socialists. There is an element of truth in such criticism because whatever identity exists is found in the motivation and spirit of socialism rather than in its forms. Nevertheless, there prevails among the various schools of socialist thought sufficient uniformity of teaching to make

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possible a definition that is generally applicable to the more orthodox varieties. Briefly, *socialism is a system of social philosophy which requires that the means of producing, distributing, and exchanging goods and services shall be owned, controlled, and operated by society in a co-operative manner for the advantage of all, rather than by individuals in a competitive manner for the benefit of a few.*

Socialism is at once a criticism of the existing economic order, a theory of social progress, a conception of an ideal society, and a definite movement for social reconstruction. Socialists condemn the present economic and political organization of society as unjust. They present a theory of social development and progress toward a clearly conceived goal. That goal is visualized as a new social order in which moral values rather than selfish, materialistic aggrandizement of individuals shall prevail. Socialists reject the traditional idea that the immorality of the present economic system is the inevitable consequence of a human nature condemned by predisposition to be selfish and corrupt, and they insist that the evils that obtain are rather the result of social, economic, and political institutions arbitrarily manipulated for selfish ends. Human nature is seen as capable of modification through environmental influences, and institutions as possible of reconstruction through human will and design. Consequently, socialists have organized a revolutionary movement for the destruction of capitalism and the creation of an ideal social order.

Certain beliefs prevail among those who regard themselves as true socialists. The ills and disorders of the present economic system are regarded as the inevitable result of private or class ownership of the agencies of production and distribution and the consequent concentration of wealth in the hands of the few, who are thus able to exploit the masses of propertyless wage earners. The only new social order worthy of contemplation, they insist, is one in which collective ownership of the instruments of production and distribution shall be substituted for private ownership, and in which there shall be equality of opportunity, if not equality of wealth and income, and freedom from class domination and exploitation. The revolutionary movement, which is to be international in scope, must enlist principally, if not exclusively, the working class, including those who are described as hand workers and brain

workers. Although all true socialists believe in revolutionary action, this does not necessarily mean the use of violent methods, as is generally supposed. As used by many moderate socialists the term indicates merely a sudden culmination of evolutionary processes. To extreme Marxists the phrase "social revolution" necessarily implies the use of force, since it is hardly conceivable, they say, that the capitalist class will surrender the present economic society without a struggle.

FORMS OF SOCIALISM.—I. *Utopianism*. The socialist movement is rooted in the remote past. The annals of human progress are replete with the critical messages and social anticipations of prophets who have protested against the old social order and dreamed of the new. The precursors of socialism from antiquity to the dawn of Marxism in the middle of the nineteenth century wove their social anticipations largely under the spell of metaphysics and religion, although the later utopians and associationists blueprinted new social orders in the light of critical reason. The Hebrew prophets in the Old Testament, Plato (427-347 B. C.) in his *Republic*, Sir Thomas More (1478-1535) in his *Utopia*, Thomas Capanella (1568-1639) in his *Civitas Solis*, Francis Bacon (1561-1626) in his *New Atlantis*, and James Harrington (1611-1677) in his *Oceana* were among the early protagonists of social readjustment. The degree of social reorganization and reconstruction which these men desired differed greatly. Plato, for example, planned a system of aristocratic communism, which would not be acceptable to other utopians.

The terms "utopian socialists" and "associationists" are commonly used in reference to such writers as Count Henri Saint-Simon (1760-1825), Francis Noel Babeuf (1764-1797), Charles Fourier (1772-1837), Etienne Cabet (1788-1856), Pierre-Joseph Proudhon (1809-1865), and Louis Blanc (1811-1882) in France, and Robert Owen (1771-1858) in England. These utopians, from whom subsequent socialist schools have been careful to distinguish themselves, believed that the existing order of individualism was functioning in the interests of a few privileged individuals and was denying to the great mass of people adequate opportunities for initiative, liberty, self-expression, and numerous other benefits that would be assured in a different social order. A new social environment that would yield the maximum of pleasure and the greatest

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possible development of individuality was, they believed, indispensable to general social well-being. Human happiness and social justice were visualized as the goal of social progress.

Not only did the utopians formulate the fundamental principles and define the practices that should govern the ideal co-operative commonwealth, but they inaugurated many experiments in communistic life. Among the best known of these experiments were Robert Owen's colonies at New Lenark, Scotland, and New Harmony, Indiana, during the first quarter of the nineteenth century. These and numerous other attempts to organize communistic societies in France, Great Britain, and the United States were short-lived. The proposals of these social dreamers for an artificially created society earned for them the name "utopians."

The obstacles to the establishment of these artificial, arbitrarily created, and isolated communities in the midst of a social order dominated by opposite motives were insurmountable, and the decay of this early socialist movement was inevitable. This does not mean that men have ceased to dream of ideal commonwealths. There have been a number of subsequent social anticipations, such as Edward Bellamy's (1850-1898) *Looking Backward*, H. G. Wells' (1866-) *Modern Utopia*, and Theodore Hertzka's (1845-1924) *Freeland*. While these imaginary conceptions of new social systems have intrigued the minds of a very large number of readers, nowhere has their realization been attempted.

2. *Christian Socialism*. During the middle of the nineteenth century, when the political and economic institutions of continental Europe were being shaken to their very foundations, there emerged in England a reform movement which became known as Christian socialism. F. D. Maurice, J. M. Ludlow, and Charles Kingsley were among the leaders of this new school of socialist philosophy. Some of its exponents were convinced that if socialism were not Christianized it would destroy Christianity, while others believed that the spirit of free competition and rivalry which permeated the economic order would lead inevitably to anarchism, destruction of the property of the rich, and increasing misery of the poor. In opposition to the competitive system of production and distribution there was proposed co-operative production or workingmen's associations. In *Alton Locke*, Charles Kingsley, the elo-

quent English clergyman, first enunciated in fiction form the doctrine of socialism and revolt against the evils of the sweating system that had emerged under capitalism. He denounced the existing social order as contrary to the spirit of the kingdom of God as revealed in Christ. The early movement was not successful in convincing the workers of the value and practicability of its program, although, beginning about 1850, some co-operative producers' associations were organized. The efforts of the Christian socialists were more effective when directed toward the securing of social legislation in behalf of labor. In 1889 a society of Christian socialists was organized in the United States in the city of Boston.

During the past half century there has developed in almost every civilized country a prominent movement that seeks to apply the principles of Christianity to industrial life. Organized Christianity (Catholic and Protestant) has never been definitely and purely socialistic, although its motives, social program, and ideals often have coincided with those of the socialist movement. Eradication of the worst features of the existing social system by strengthening the moral forces of society has been the principal objective of organized religion. This was the obvious purpose of the encyclicals *Rerum Novarum* (1891) of Leo XIII and *Quadragesimo Anno* (1931) of Pius XI. The *Social Creed*, issued by the Federal Council of the Churches of Christ in America in 1908, and the *Social Ideals of the Churches*, accepted by the Council in 1932, manifested the same spirit of Christian morality in relation to social and economic problems. In these and other pronouncements of Christian forces there is severe criticism of the present economic system and a statement of humanitarian principles. Certain general doctrines are enunciated. The world is seen as a manifestation of God's order, but selfishness is believed to have undermined the Christian principles of moral conduct. All that is good in our modern world is said to emanate from self-sacrifice and fraternal co-operation as taught in Christian ethics.

Equality of opportunity for all, with rewards according to work, has always been one of the basic principles of Christian socialism. The evils and injustices of the present social order are denounced, and co-operation is urged as a substitute for competition in economic life. A new social

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order in harmony with the teachings of Jesus is desired. This necessitates restraint upon competitive industry, a nobler motivation in industrial and commercial relations, greater democracy in both political and industrial institutions, the practice of Christian charity, and adherence to the principles of economic justice. There has never been general agreement among Christian socialists as to the most immediate and the best methods of attaining these objectives other than to persuade human beings to imitate the behavior of Jesus.

3. *Marxism or "Scientific Socialism."* Contemporaneously with the emergence of Christian socialism, Marxism or "scientific socialism" was developed. The Marxist movement really began with the publication of the *Communist Manifesto* in 1848. This significant document was written by the two founders of modern socialism, Karl Marx (1818-1883) and Friedrich Engels (1820-1895), German socialist exiles who were forced to leave their native country during the revolutionary upheavals of the forties and resided in France and England. The pronouncements of Marx and Engels were very different from those of the utopians. Little or no attempt was made to sketch the outlines of a new social system. Attention was given rather to an analysis of industrial conditions, economic and social tendencies, and the historical forces which they believed are operating to destroy capitalism and usher in the socialist commonwealth. Socialism is visualized as the inevitable result of economic evolution; but, paradoxically enough, revolutionary action is advocated to overthrow capitalism and establish socialism. Complete socialization of the agencies of production, distribution, and exchange is the ultimate aim.

4. *State Socialism.* State socialism had its origin and most notable development in Germany, beginning with the Congress of Eisenach in 1872. The coming to power of Hitlerism in Germany (1933) led to the liquidation of all opposition movements, including the social democratic movement. State socialists look upon the government or state as a great moral institution for the education and protection of humanity. Because of this conception of the broad functions of government, state socialism has involved a conscious attempt to extend the regulatory powers of government without destroying or even modifying very greatly the funda-

mental institutions of the existing social order. Profits, interest, rent, wages, and other manifestations of the institution of private property are to continue, subject to governmental limitation and control in the interest of social progress. The essential difference between state socialism and Marxian socialism is that the former advocates government ownership of basic industries and the expansion of state functions under purely capitalistic administration and within the framework of capitalism, while the latter desires to abolish private property and to socialize completely the ownership of property under a government controlled by the working class. From its inception state socialism has had considerable influence on the growth of protective social legislation in many countries, including Australia, New Zealand, Great Britain, the United States, Sweden, and Germany.

"Socialism of the chair" also grew out of the Congress of Eisenach, this term being applied to the teachings of young German professors of economics who believed that the existence of grave economic and social evils warranted any extension of state authority compatible with the public interest and welfare. The state was looked upon as an agency for the intelligent and humanitarian protection of the community. The movement toward improved social conditions should, according to this group of socialists, be evolutionary rather than revolutionary. The school represented a strong protest against the theories and policies of individualism; and, although it now has only historical significance, its central ideas were given a more radical bias and were propagated by the state socialists and social democrats in Germany.

5. *Fabianism*. What is commonly known as Fabianism is a movement sponsored by certain intellectuals in the United Kingdom, among whom have been such distinguished persons as George Bernard Shaw, H. G. Wells, Graham Wallas, and Sidney and Beatrice Webb. The movement proposes the reorganization of society by the emancipation of land and industrial capital from individual and class ownership, and the vesting of them in the community for general benefit. Gradual development of society into a co-operative commonwealth is desired, but chiefly through educational methods. The Fabian Society conducts research and investigations of industrial and social movements such as trade union-

ism, collectivism, and social insurance, and has contributed much to the progress of social legislation in Great Britain. While the Fabians are very critical of extreme Marxism, they have done a great deal to familiarize the public with the fundamental teachings of collectivism. They regard the transition from capitalism to socialism as a gradual process and encourage the socialization of industry by the peaceful economic and political agencies that are already available. The Fabians are obviously convinced that the hope of socialism lies in an awakened and enlightened public conscience.

6. *Guild Socialism*. Guild socialism is a movement that developed in England under the guidance of the National Guilds League, which was organized in 1915. Its prominent writers and leaders have included such men as S. G. Hobson and G. D. H. Cole. The central concept of guild socialism is that the management and control of industry should be vested directly in the hands of the producers under a system of regulation designed to promote the common welfare. It is really an attempt to revive the spirit of medieval guild life.

The national guildsmen, as the members of this group call themselves, have a number of basic beliefs. The present educational system is said to prepare only a privileged few for the full responsibilities of citizenship and to train the majority for industrial subordination and servile labor. The modern industrial system is organized for profit and not for social service and the development of personality. The modern political state fails to represent all the citizens of the commonwealth. The guildsmen mean by the commonwealth the all-inclusive relation of human personalities, the association of all citizens. The state is looked upon as the parliamentary machinery through which the common will is expressed. The state as organized today is said to function in the interest of a dominant economic class, as does the industrial system.

The development of personality, and not merely industrial efficiency, is the aim of guild socialism. It proposes an organization of society in which the state will perform noneconomic functions. National guilds, aided by shop committees and local and district guilds of producers, will perform the economic functions. Adequate machinery is to be provided

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for the protection of producers and consumers in both their separate and their common interests. The wage system is to be abolished because it emphasizes acquisitive rather than creative impulses and leads to exploitation. Self-government in industry is accepted as the only road to justice and democracy.

7. *Communism*. The term "communism" used to be applied to what has already been described as "utopianism," but since the Russian Revolution (1917) it has been employed universally to designate the supposedly orthodox Marxism advocated by the bolsheviki. Contemporary communism can be comprehended accurately only when perceived in relation to the revolutionary drama in Russia. In 1903 two factions appeared within the Social Democratic Labor Party of Russia, namely, the bolsheviks or "majority" and the mensheviks or "minority." As a matter of fact, from the unsuccessful attempt at revolution in 1905 to 1917 the mensheviks were the majority. The two factions differed fundamentally in their conceptions of the revolutionary process. The mensheviks were convinced that Russia must pass through the stage of capitalist development before socialism could be established, and that the czarist regime must be followed by a form of political democracy. Russia, they urged, was not ripe for the social revolution because a highly developed industrialism is a prerequisite of successful socialization of wealth. Hence czaristic absolutism must be followed by a bourgeois republic based upon capitalism, and this in turn by socialism. Such a conception was totally unacceptable to the bolsheviki, led by Nikolai Lenin, who contended that it was not only possible but imperative for Russia to pass immediately from its primitive industrial state into socialism without evolving through a stage of bourgeois capitalism.¹

The bolsheviki desired the immediate development of communism or what they conceived as orthodox Marxism. Communism as thus interpreted imposes no faith in peaceful social revolution achieved through the medium of such agencies as the ballot, education, and co-operative political and economic activity. In preparing for the revolutionary crisis,

1. H. W. Laidler, *History of Socialist Thought* (Thomas Y. Crowell, 1927), pp. 453, 454.

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such agencies are to be utilized as a means of communist propaganda against the evils of capitalism and to pave the way for the acceptance of communist leadership in the revolution. Political activity, however, is to be subordinated to industrial mass action through the general strike and other forms of proletarian revolt. Communists despair of social reconstruction through the present political state, which they regard as a bourgeois instrument for the coercion of the masses. Hence, openly or secretly, the present state is to be undermined. In this task patience is not to be regarded as a virtue. It is not necessary to wait until the majority favors revolution; the militant minority can gain control and then prepare the mass to rule intelligently and justly. The communists insist upon the complete annihilation of the bourgeois state in order to preclude counter-revolution. In recent years communists have manifested a tendency toward a more opportunistic political and economic program, but their revolutionary objectives have remained the same.

In the transitional state from capitalism to communism the workers are to rule with an iron hand through the dictatorship of the proletariat. The form of this dictatorship will be determined by existing circumstances. Judging by Russian experience, the transitional government is to take the form of soviets or councils based upon occupational or industrial groupings. This structure of government is regarded as more sensitive to mass wishes than the parliamentary structure.

Once in power, the communists are to begin a thorough process of socialization involving the centralization of production and social appropriation of the agencies of production, distribution, and exchange. Every socially important industry will be taken over. Small enterprises operated by private owners and involving no exploitation of labor are not to be dispossessed forcibly, but may gradually be united and assimilated. Practically all industries are thus to be owned, controlled, and managed by the workers. The communist ideal presupposes the expansion of the soviet system to include the whole population, making the political state unnecessary. The government, therefore, will be essentially economic, involving the voluntary co-operation of producing and distributing units and implying the absence of coercion and subjection.

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The communists hope that ultimately production and distribution will be based upon the principle of "from each according to his ability, to each according to his needs," which is regarded as the highest law of social life.

It will be observed that the communists desire a socialist commonwealth, but that they differ from most other collectivist groups in the method or technique of attaining their goal. Communists quite generally visualize social revolution as the result of violent change, insist upon a proletarian dictatorship during the period of transition, would substitute the soviet system for the political state, and desire the application of the principle of need in distribution. Opportunistic socialists do not favor such a far-reaching program.

SOME BASIC DISTINCTIONS. The socialist movement is incorrectly associated in the popular mind with all forms of liberalism. Confusion prevails, for example, as to the relation of socialism to trade unionism, syndicalism, and anarchism. Although there are some points of resemblance among all these theories and practices, they are far from identical. In a previous chapter it was pointed out that trade unionism is essentially conservative and practical in its program, seeking through industrial action chiefly, and through parliamentary representation only indirectly, the improvement of the wage-earning class. The emphasis is placed upon immediate improvement of standards of wages, hours, and conditions of labor. Although there are within the ranks of trade unions a great many individuals who endorse the socialist program for the reorganization of society, the movement itself is not revolutionary.

When we turn to syndicalism or revolutionary industrial unionism, we find disagreement with the doctrines of socialism but a theoretical implication of industrial communism. The revolutionary industrial unionists denounce political action and the idea of a political state. Their ideal is an industrial commonwealth controlled by and functioning in the interest of the workers. Syndicalists are uncompromisingly opposed to craft unionism and reformist or political socialism. They are opposed to the former because it splits into fragments the workers' organizations, and to the latter because it encourages social reform and seeks to estab-

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lish a proletarian commonwealth through political action. Syndicalism and communism have much more in common than have socialism and syndicalism.

Anarchism is sometimes erroneously referred to as a form of socialism. Except for the belief common to both that private property is incompatible with the complete independence and development of the individual, or, at least, that it bestows independence upon some at the expense of others, socialism and anarchism have practically no doctrines that are similar. Anarchism is in reality the antithesis of socialism; the latter believes in the extension of collective authority while the former would abolish all authority, destroy the state, and do away with all economic and social institutions. Anarchism is ultra-individualism; it is a complete negation of all authority external to the individual. The individualists, among whom are numbered most employers, believe in the reduction of state interference to a minimum, while the anarchists go further and seek to eliminate government entirely. In so far as communism projects, as its ultimate goal, a voluntary collectivism it has much in common with philosophical anarchism.

THE SOCIALIST INTERNATIONALS. Generally speaking, socialism as a historical movement may be divided into four phases. Utopianism represents the first phase. This humanitarian movement began with the earliest prophets of social amelioration and assumed more definite form during the late eighteenth and early nineteenth centuries. This movement includes the activities of reformers in the period of the French Revolution and those utopian schemes already considered. This first phase was concerned chiefly with humanitarian and idealistic schemes for the uplift of the race, which was suffering immeasurable misery from the effects of industrial changes.

The international socialist movement really began with the publication of the *Communist Manifesto* in 1848. In that brief document Marx and Engels uttered the slogan that has become the battle cry of orthodox socialism everywhere—"Workingmen of all countries, unite; you have nothing to lose but your chains and a world to gain!" Reaction spread in Europe following the failure of the revolutionary movements of the 1840's, and for a time the growth of socialism was checked. Later emerged

a strong movement that renewed socialist and labor activities. At this time the international note struck in the *Communist Manifesto* was incorporated into the constitution and declaration of principles of the International Workingmen's Association created in 1864. This organization, commonly known as the *First International*, represents the second phase of the socialist movement. It spread to many countries. For a period of about eight years, 1864-1872, many conventions were held, which were devoted to the discussion of the problems of the working class. These conferences united the socialist movement in Europe and America. The First International was disrupted by a struggle between the Marxian wing of socialism, under the leadership of Karl Marx, and the communist-anarchist wing led by Michael Bakounin. Bakounin (1814-1876), a violent Russian revolutionist and nihilist, denounced evolutionary methods and political action and sought to capture the movement for communist anarchism based upon "complete individual liberty restrained only by natural law." To save the organization from anarchism, the seat of the First International was transferred to New York in 1872, and three years later it was dissolved.

The third phase of the movement is represented in the *Second International*, which originated in 1889, in Paris, chiefly as an attempt to unite the socialist movements throughout the world against militarism. Between the date of its organization and the first years of the World War, this association held innumerable conferences protesting against the wars that repeatedly disturbed the peace and happiness of Europe and of the world and demanding that the workers be given a voice in the councils of nations. The Second International practically ceased to function when the socialists in the various warring countries openly supported their governments in the Great War. The movement has been kept alive by a loyal minority and is now engaged in a struggle with the *Third International*.

The *Third (Communist) International*, which is the fourth phase of the socialist movement, was organized with an extremely radical bias at the first congress of international communists in Moscow, March 2-6, 1919. It was sponsored by the Russian bolsheviks, who had emerged victorious in the great Russian Revolution in 1917, and included left-

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wing, or ultraradical, socialists from many countries. The Third International is essentially a protest against reformist political socialism and seeks the nationalization of economic life controlled, not by a parliamentary state, but by workingmen's organizations known as soviets. It is the world association of the communist parties of various nations. There are many evidences that a more moderate program may be adopted, a drift toward state capitalism having already appeared in Russia. While the radical socialist groups in many countries have joined the Third International, the conservative socialist organizations, which believe in political action, have refused affiliation. The new international has held its meetings in Moscow and has modified repeatedly the tactics of the communists. Its emphasis upon world revolution has greatly lessened in recent years, due largely to Stalin's apparent drift toward nationalism and his policy of creating a powerful socialistic commonwealth within Russia. It is unlikely that the aim of world revolution will be abandoned by the Third International (Comintern), since this is the organization's principal reason for existence.

THE SOCIALIST INDICTMENT OF CAPITALISM. From what has already been said, it should be clear that the socialist movement is fundamentally a working-class revolt against what are conceived to be serious evils inherent in the capitalistic system of production and distribution. Socialism, therefore, is really the product of capitalism, since the abuses of the latter have given rise to revolutionary agitation. Socialists not only criticize capitalism but propose a substitution for it in the form of collective ownership of the agencies of production and distribution, such as land, forests, mines, and systems of transportation.

Socialism's indictment of capitalism is directed against the wastes of human life, materials, and wealth, which it claims are inevitable under a competitive economy. Not only does competition lead to great wastes in production and distribution but, according to the socialists, it inevitably results in corruption, immorality, and inhumanity. Natural resources, which should belong to all of the people and be conserved in the national interests, are exploited and wasted in the interest of profit makers. Similarly, men, women, and children are exploited in our competitive industrial system, where human welfare is subordinated to the

private gain of those who own our industries. Everywhere art, science, and morals are said to be prostituted for commercial ends, and the emphasis is upon the acquisitive rather than the creative spirit. This indictment has been summarized as follows:

Socialists do not necessarily base their advocacy of a new social order on the ground that the lot of the workers is becoming absolutely worse. They do believe, however, that capitalism is failing properly to utilize the marvelous productive forces at its command; that the hand and brain workers are sharing but inadequately in the increased productivity of modern industry; that capitalism retards the development of individuality among the masses of mankind and that, having largely performed its social function and outgrown its usefulness, it should yield to a more scientific and equitable industrial order than at present exists.²

THE DOCTRINES OF MARXIAN SOCIALISM. I. *The Economic Interpretation of History*. This doctrine, which in common with the other fundamental teachings of "scientific socialism" was formulated by Marx and Engels, is based upon the proposition that economic factors—the conditions of production, distribution, and exchange—determine largely the political, social, legal, and other institutions and relations of society in any given period. "The mode of production of the material means of existence conditions the whole process of social, political and intellectual life," said Marx in the preface to his *Critique of Political Economy*. Engels expressed the doctrine thus:

According to this conception, the ultimate causes of all social changes and political revolutions are to be sought, not in the minds of men, in their increasing insight into eternal truth and justice, but in the changes in the mode of production and exchange; they are to be sought not in the *philosophy* but in the *economics* of the epoch concerned.³

In short, the mode of production is the primary if not sole cause of historical development.

This doctrine has been widely represented as teaching a crass materialism, which declares that economic conditions are the only considerations

2. H. W. Laidler, *Socialism in Thought and Action* (Macmillan, 1920), p. 10.

3. Friedrich Engels, "Anti-Duhring," in *Handbook of Marxism*, E. Burns (ed.) (Random House, 1935), p. 279.

in social progress. Marxists, including Engels, have protested that in reality the doctrine merely emphasizes economic factors as the most important determinants. There can be little doubt that socialists generally are so impressed with the powerfulness of material conditions that they fail to recognize or admit the importance of such historical forces as religion, law, ethics, politics, and great personalities. Even when these forces are recognized the recognition is grudgingly given. To regard the mode of production, distribution, and exchange as the principal determinant of historical development is to disregard large areas of social evolution in which the impact of such forces as religion and leadership has been the sovereign influence.

Rejection of the economic interpretation of history does not indicate an unwillingness to acknowledge the significant influence which Marx's theory has had upon the general interpretation of historical development. As a consequence of his challenging conception, the interpretation of history has been more balanced, realistic, and accurate. The evolutionary nature of social institutions, the importance of economic causation in social development, and the reaction of social forces to changes in economic organization have been more clearly defined as a result of the Marxian emphasis. In recognizing the dynamic influence of economic factors one must not, however, forget the immeasurable historical significance of noneconomic factors.

2. *The Class Struggle*. An integral part of the doctrine of economic determinism is the theory of the class struggle. Socialist thought and action are dominated by the concept of a grim struggle between oppressors and oppressed. Such a struggle, it is contended, has prevailed throughout the evolution of society, and today the conflict continues between the wage-earning class and the capitalist class. Master and slave, lord and serf, guild master and journeyman, employer and wage earner—these have been the warring classes. This struggle will continue, the socialists believe, until the *proletariat* (working class) becomes emancipated from the domination of the *bourgeoisie* (capitalist class). Only then will all forms of exploitation, oppression, class distinctions, and class struggles cease.

The doctrine of the class struggle has been criticized on the grounds

that the history of civilization cannot be explained in terms of class conflict, and that even in its present structure society is not reducible to a two-class constituency. In the United States certainly it would be extremely difficult to discover any such sharply defined cleavage between the working class and the capitalist-employer class. Moreover, the motivation and loyalties of individual minds are so numerous and diverse that it can scarcely be claimed that class consciousness dominates more than a relatively small minority of American wage earners. This does not mean that conflicts do not occur between employers and employed, but it does mean that such conflicts are temporary and do not indicate an irreconcilable clash of interests such as Marxists believe exists. The socialists, of course, recognize the presence of a middle class but contend that this class will disappear under the oppression of the capitalists and will eventually merge with the proletarians. Many persons object to the doctrine of the class struggle because it tends to breed class hatred. This the socialists deny, although an orthodox Marxist undoubtedly would not object to such a result. Even if class conflict in the Marxian sense did exist, it does not follow that it leads to progress; it may lead to social retrogression through disintegration and collapse of the economic structure. Recovery from such a collapse would not be so easy as optimistic Marxists believe.

3. *Value and Surplus Value.* The labor theory of value, which Marx constructed out of materials furnished by the classical economists and other thinkers of the first half of the nineteenth century, states that the exchange value of a commodity is determined by the quantity of socially necessary labor power embodied therein. In other words, the quantity of human effort which is required by society to reproduce a commodity is the final determinant of its price on the market. Marx recognized what economists call "utility" as the prominent factor in "subjective value" or "value in use," but to him utility was insufficient to explain value in exchange. Exchange value, thought Marx, can be explained only by a common or homogeneous element, and this element necessarily is the quantity of human labor contained in the commodity. Differences in the exchange value of goods are accounted for by the variations in the amount of human energy socially necessary to produce them.

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Marx and his disciples insist that the worker produces more than is paid him in commodities for his subsistence. For example, during a ten-hour day the worker is said to produce in five hours the equivalent of his actual remuneration or what he gets in wages, and in the remaining five hours he is compelled to labor for nothing, this surplus being expropriated by the capitalist-employer. These extra hours of unremunerated effort are called "surplus labor," and the value which the goods produced by such labor command in exchange is known as "surplus value." This exploitation of the wage-earning class is possible, Marx believed, only because the instruments of production and exchange are privately owned.

The Marxian theory of value is untenable because it really disregards the fact that value is governed by a number of factors rather than by the quantity of labor power utilized in the production of commodities, particularly the factors of supply and demand. Labor necessarily enters into the cost of production and consequently directly affects the supply of commodities, but the quantity of labor thus expended does not in and by itself determine the exchange value of goods. No matter how much labor is embodied in a commodity, there will be no exchange in the absence of demand, which is regulated by utility. It is an elementary economic principle that the exchange value (price) of goods and services is not determined solely by their labor content or labor cost, and that the exchange value (wage) of labor itself is not determined by the bare necessities of physical subsistence.

In recent years socialists have laid less emphasis upon the theory of surplus value as an essential tenet of Marxism, although the communists continue to adhere rigidly to it. It should be added, moreover, that practically all socialists still contend that while the *theory* of surplus value is probably untenable, the *fact* of surplus labor and surplus value cannot be denied. There is little doubt that workers often produce more than they receive; it is probably equally true that some workers receive considerably more than they individually contribute to the product. Surplus does exist in the form of what are known as "unearned incomes"; many people receive incomes even though they do no work and

perform no service. The existence of such incomes cannot, however, be explained by the simple refinements of Marxian economics.

4. *The Law of Capitalist Development.* In the evolution of modern capitalism there are, according to Marx, certain forces and tendencies that lead inevitably to socialism. The facts of economic history are said to indicate the operation of a law of concentration of capital that results in increasing centralization of ownership in fewer and fewer hands. This tendency will continue until collective enterprise becomes imperative. Large-scale production, giant corporations, trusts, combinations, holding companies, and mergers are supposed to be convincing evidence of this tendency. In every country the ownership and control of industry is being vested in fewer hands. This concentration appears in the realms of finance, commerce, transportation, and manufacturing. Agriculture is still dominated by small-scale production, but even here there is a tendency toward concentration.

The operation of this law is held to increase the poverty and misery of the masses. Surplus value is constantly being wrested from the workers through the exaction of surplus labor, that is, a quantity of labor far in excess of the requirements for subsistence. Competition between entrepreneurs forces continual reinvestment of funds in fixed capital (machinery and equipment) thus decreasing the amount of variable capital available for the employment of laborers. This means that increasing numbers of workers are unable to find employment, hence the emergence of the "industrial reserve army." This labor reserve is also increased as a result of speeding-up processes. Competition for jobs constantly grows more severe, consequently the wage-earning class sinks deeper and deeper into misery, slavery, and degradation, its status becoming worse and worse. All this means that "the rich grow richer and the poor grow poorer."

Still another consequence of the operation of the law of concentration of capital is the disappearance of the middle class, some of whom rise into the rich class but most of whom sink into the class of dispossessed proletarians. This simplifies the class struggle by reducing the conflict to a two-class basis—proletariat and bourgeoisie.

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Such a process of concentration and dispossession cannot continue indefinitely, thought Marx. Capitalism must eventually dig its own grave. The law of its development culminates in serious economic crises and the advent of the socialist commonwealth. Overproduction due to anarchistic methods and the diminished purchasing power of the masses results in depression, crises, and panics. These cataclysmic breakdowns of the economic system grow more acute. The day of social revolution will inevitably dawn when the expropriated masses will rise up, dispossess their exploiters, and usher in the regime of socialism.

Like the rest of the Marxian doctrines the law of capitalist development is an interesting theory, and it probably has a greater measure of plausibility than the others, except the economic interpretation of history. Like all the other doctrines, this theory has been severely assailed by critics of Marxism, who contend that it represents a climax of pessimism and unfulfilled prophecy. These critics point out that in the ninety years since Marx penned his dismal forecast no fact of economic life has been more thoroughly established than that the wage-earning classes in every civilized country have experienced, not degrading, increasing misery and enslavement, but increasing material well-being, protection, and opportunity. The workers never shared so largely in the produced wealth of nations, nor enjoyed such expanded privileges in the political, social, and cultural life of peoples. Socialists answer such criticism by saying that even if the working classes are better off materially than in former centuries, they are worse off relative to their richer neighbors in contemporary economic society. The gap between rich and poor, they urge, is wider than ever, with the consequence that psychologically the proletariat is relatively worse off. The evidence does not support such a contention, and many socialists frankly admit that the workers are better off both absolutely and relatively.

There is little room to doubt that the real wages of labor have increased with disappointing slowness when compared with the great increase in output due to the extraordinary technical advances in the methods of production. Our productive capacity has apparently outdistanced demand, but in the midst of so much poverty as exists even in the United States it can scarcely be claimed that our productive capacity

has exceeded our capacity to consume. But to say that the working classes are not so well off as they should be is not to say that they are less well off than they have been and that their misery is increasing. Perhaps, therefore, it would be safe to say that while, contrary to Marx's prediction, increasing misery has not been the lot of proletariat, that class has not shared in the increased volume of production to the extent made possible by technological advance and labor's contribution to output.

Considerable validity attaches to the concept of concentration of industry, of which the Marxists make a great deal. Time has strengthened the plausibility of this prophecy. Large-scale production and industrial consolidation have grown apace. Contemporary America offers a plethora of examples of mergers and combinations. Marx foresaw this development with remarkable clarity and prophetic insight. Nevertheless, the sequences do not accord with his prognostications. Concentration and integration in the industrial structure have apparently been accompanied by a wider rather than a narrower distribution of ownership. Centralization of control is quite another matter, but Marx was talking about concentration of ownership.

The development of the modern holding company has given to industrial control greater significance than to industrial ownership in so far as the well-being of the wage earners and the sharing of benefits of production are concerned. Labor policies, wages, hours, and conditions of work are determined by those who control industry rather than by those who own it. In agriculture, neither concentration of ownership nor centralization of control has been conspicuous, and competition still dominates every line of industry. The units of production and distribution are larger, it is true, but competition appears to be no less real and acute. Monopolistic competition has manifested a tendency to increase, but in some countries, such as Great Britain and Sweden, the growth of the co-operative movement has resulted in co-operative competition which not only indicates an increasingly wide distribution of ownership but prevents many of the evils that normally arise from centralization of control.

Much to the disappointment of the Marxists the middle class has shown no obvious tendency to disappear; indeed, in the United States

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it seems to be increasing. Marx's prophecy with regard to the increasing severity and frequency of industrial crises has been given considerable support in the experience of advanced countries, such as the United States and Great Britain, during the past half century. The period subsequent to the World War has witnessed the most serious crisis recorded, whether measured in terms of duration or extensiveness. It would be a mistake, however, to conclude that the demise of capitalism is near. The growth of social legislation designed to eliminate the deficiencies of capitalism and to repair its broken fences is likely to cause its indefinite survival. Even if capitalism should disappear, there is no reason for sharing Marx's belief that communism is its inevitable successor.

WHAT WOULD THE REALIZATION OF SOCIALISM MEAN? The limits of this volume do not permit a comprehensive presentation of the aims of socialism, much less an adequate discussion of the probable structure and functions of the proposed socialist commonwealth. Profiting by the experience of the utopians, socialists have manifested a great reluctance to picture in detail the structure and operation of the new social order. At the insistence of critics, however, there is a tendency among socialist intellectuals to give the general outlines of a socialist society.

"Broadly speaking," states a Marxist,⁴ "the socialist movement aims to bring about a condition of society under which equality of opportunity, justice, freedom, democracy and brotherhood will be the heritage of the mass of mankind." As already indicated, socialism seeks to abolish the capitalistic system and to establish a form of society in which the economic forces of production and distribution will be socially owned and controlled in the interest of all rather than of a privileged few. Communists desire the complete abolition of private property, whereas opportunistic socialists wish to socialize only private property in the agencies of production, distribution, and exchange. Under moderate socialism, consumption goods are to be privately owned, while under communism all goods are expected to be socially owned. Thus under moderate socialism one may still own his home and other personal effects that cater to his wants. Speculation in agricultural lands will be

4. Laidler, *Socialism in Thought and Action*, *op. cit.*, p. 122.

eliminated, but ownership of land will be limited only in so far as is necessary to prevent the exploitation of one class by another.

Under socialism the wage system as we now know it will be abolished and industry will be owned, controlled, and operated by society in the interest of productive workers. Judging from Russia's experience, it is unlikely that the payment of wages will be discontinued but rather that wages supposedly will represent an increasingly equitable share in the product of industry. Wage rates are expected to be set by democratic processes and not, as now, generally fixed arbitrarily by the employer. Socialism does not propose a rigid equality of income. Even the extreme Marxists in the communist movement are not agreed as to the most desirable system of distribution. The ideal of the communists is productivity according to individual capacities and consumption according to needs. Distribution according to needs has thus far not been established in Russia, the apology offered for the failure to do so being that communism there is still in a transitional stage.

Some extreme Marxists advocate distribution on an equalitarian basis, so that in the economy of abundance which is expected to exist under the perfected communist society each individual will share alike regardless of his contribution to production. It is quite likely that wherever a socialist commonwealth is inaugurated, the practical requirements of time and place will make necessary a recognition of wage and income differentials, and each individual's remuneration will depend upon his services to the community. Differences in skill, experience, ability, and service will have to be acknowledged and paid for if such a commonwealth is to be made and kept a going concern.

Under socialism it is expected that all forms of intellectual and cultural effort are to be encouraged and an equal opportunity given to all to develop natural abilities and aptitudes. Educational opportunities are to be extended, and men and women are expected to be free to cultivate their intellectual and artistic tastes. The system of money and exchange will probably not be greatly modified, except that public financial institutions will be substituted for private ones and the whole monetary system will be controlled collectively in the interest of general well-being rather

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than for the profit of individual capitalists. Communists would abolish parliamentary government, as they have done in Russia, because the state is looked upon as an instrument of coercion. Instead of parliamentary government some form of economic government is planned. Socialists advocate the retention of the parliamentary state but would democratize it so that it would be sensitive to the wishes of the masses and function as an agency for general social welfare rather than as an instrument of coercion.

Under communism religion undoubtedly will be destroyed, as it is being destroyed in Russia, since extreme Marxists regard religion as a form of superstition and the church as an agency of the possessing class to keep in ignorance and superstition the dispossessed masses. Communists, therefore, are implacable enemies of religion. Most constructive socialists do not advocate the destruction of religion but insist that each individual must be free to obey the dictates of his own conscience. Under communism the home and monogamic relations are quite likely to undergo drastic changes, while under moderate socialism these institutions are not likely to be very different from what they are under capitalism.

CRITICISM OF SOCIALISM. Ever since its inception, socialist philosophy has been severely criticized by those who defend the present order. Many objections that were formerly urged against socialism in all its forms are now aimed almost exclusively against the extreme form of Marxism known as communism. As indicated above, parliamentary socialism does not plan the collective ownership of all forms of property or confiscation of all accumulated wealth and capital. Even for the property that is socialized moderate socialists would provide remuneration; communists, of course, oppose any such compensation. Nationalization of women and children is not contemplated by socialists, although communists may be expected to go to any extreme in this direction that circumstances require. The substitution of labor checks for money, a plan often advocated by the utopians, is not likely to be the established practice of the socialist community, nor is the compulsory assignment of tasks likely to prevail.

There are many objections to socialism which have considerably more validity than those just cited. Since the days of Herbert Spencer, many have contended that "all socialism implies slavery." Socialists generally assume that economic relations are to be regulated by some central authority, which may mean the establishment of a powerful bureaucracy functioning to limit freedom of individual action. There is always a real danger of the extension of governmental power over the economic life of the individual, and there is little reason to doubt the augmentation of this danger under socialism. Socialists remind us that under modern capitalism individual liberty is a fiction since industry and government are controlled in the interest of special privilege. They assert that under socialism greater economic security and industrial equality will prevail, and that the state will be controlled democratically to assure the fullest expression of individuality. This is a "picture in a dream," say the critics of socialism, because the extension of governmental authority invariably leads to dictatorship and loss of civil liberties. The experience of Germany under Hitler, Italy under Mussolini, and Russia under Stalin are cited as evidence of this tendency.

The critics of socialism insist that this form of social organization would stifle initiative, enterprise, and ambition, and deprive individuals of the necessary incentives to action. It is very difficult to escape the conclusion that socialism would tend to remove the stimulus to individual initiative, self-interest, and productivity which the relatively free play of economic motives provides under capitalism. Socialists contend that the altruistic motive is as powerful as the motive of self-interest. There is no assurance that men will react more altruistically under socialism than they have under capitalism unless, as the socialists believe, the social environment would be so radically different as to cause a deeper appreciation of general social well-being and a more sensitive response to human needs. It is further urged by socialists that in the new social order which they plan there will be ample recognition of individual differences and attainments, thus providing adequate incentive to achievement and excellence. This raises the question whether, in view of such recognition of differences in individual abilities and

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accomplishments, socialists can possibly hope to eradicate the inequalities of wealth and income against which they protest under the present system.

Socialists assume that certain evils of the present social order will disappear when a new social order is established. The abolition of private property in the instruments of production and distribution will not *per se* lead to the elimination of disease, envy, passion, thriftlessness, idleness, intemperance, insubordination, intolerance, bigotry, hatred, and other forms of physical, intellectual, and moral degeneracy. While socialists do not claim that society will be rid of all its ills, in their enthusiasm they are inclined to believe that a sort of millennium would follow the introduction of collectivism. Socialism will not make men moral any more than does capitalism, unless it can succeed in removing all of the causes of exploitation and self-indulgence.

There are many who believe that socialism will decrease efficiency and increase political corruption. It is contended that the history of government ownership has demonstrated the inefficiency and corruption of collective enterprise. Many persons point to national experiences during the World War as examples of profligate waste. In refutation of this contention, socialists state that the present inefficiency in public industries is the result of party government dominated by corrupt political bossism and corporate interests. It is a debatable question, however, whether the delegation of authority that will be necessary under socialism will result in freedom from corruption and inefficiency. Moreover, the limited experience with self-governing workshops indicates that failure has been caused chiefly by the refusal of workers to submit to discipline.

Price fixing under socialism would be a difficult task. Unless socialism can evolve some scheme of stabilizing the price level, serious maladjustments are bound to result. Arbitrary price control has not been very successful. The socialists claim that they will follow expediency in this matter and that they are concerned with adjusting prices in accordance with the desires of the community to increase or decrease production. If they intend to control and not to ignore supply and demand, price regulation may prove practicable, since that is just what occurs often

under capitalism. Classical economists, of course, deny the feasibility of such arbitrary action. Whether under the planned and controlled economy of a socialist society the mechanism of exchange can be manipulated effectively and equitably remains to be seen.

Socialism, it is often stated, will result in overpopulation, since the restraints that present economic conditions impose on reproduction will be removed under an economic system that will probably apportion income according to needs. Although distribution according to needs is not the aim of moderate socialism, it is of communism. Another reason for this objection against socialism is that parental responsibility will be lessened, since the state will take care of the children. Socialists claim that under the higher standards of living which they propose, the greater moral responsibility of parents and a more effective public opinion will remove all serious danger of overpopulation.

Not a few critics are convinced that socialism will lead to anarchism. Anarchism and socialism are opposite rather than similar types of philosophy, so this objection, when applied to political socialism, really has no foundation. The abolition of the political state is advocated by communists, and this is a presumption in favor of anarchism. Communism accepts the unlimited dictatorship of the proletariat during the transition from capitalism to communism, but beyond that all political government of persons is to cease. Not anarchism but extreme statism is likely to exist under socialism and communism.

THE EXPANSION OF SOCIALISM. Convincing as are the objections to both the theoretical and practical aspects of socialism, this system of social philosophy has appealed to vast numbers of persons. The expansion of the socialist movement throughout the world in the nineteenth century and early decades of the twentieth century indicates that the apparent unsoundness of Marxian theories does not preclude the acceptance of socialism as a program for social reorganization. The followers of Marx number into millions and they are active in every industrial country of the world. In advanced industrial nations, as Germany, France, and Great Britain, the socialist movement has in the past acquired considerable political power, being represented in local and national governments. Following the rise to power of fascism in Italy

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in 1922 and national socialism in Germany in 1933 the Marxian movement suffered a serious setback in Europe. The same ruthless suppression was practiced against communists in Italy and Germany as was practiced against anticommunists in Russia. In some European countries, as Sweden and Belgium, the socialists have continued to take a prominent part in governmental affairs.

The Russian Revolution in 1917 and the successful *coup d'état* of the bolsheviks was a signal for the remmarshaling of socialist forces in every country. Monarchies fell rapidly, and in many countries some form of collectivism succeeded czarism and monarchism. Guided by Nikolai Lenin and Leon Trotsky, Russia was brought under the control of the communists and has remained under their domination as an alleged proletarian commonwealth ever since. The contemporary Russian regime represents a dictatorship of a militant communist minority rather than a dictatorship of the proletariat, but the ultimate ideal is an advanced stage of communism. The communist movement has made some progress in such vast countries as India and China, but in Japan Marxism has retreated before a militant fascism. The new position of Russia in central and eastern Europe, which resulted from the aggression of a war-hungry Germany in the summer of 1940, may, if Russia is successful in turning back the Nazis, lead to a revival of communism or socialism. Much will depend upon the outcome of the new world war between the democracies and Japan and her dictatorship allies.

WHY THE SOCIALIST MOVEMENT EXPANDED. There are many reasons why the socialist movement emerged and expanded. There was, first, the much too optimistic belief in the efficacy of economic laws in dispensing justice. Ever since the publication of Adam Smith's *Wealth of Nations* in 1776, there has been an unwarranted faith in the power of the free play of economic forces to assure social justice and safeguard the common welfare. Disillusionment soon followed the extreme reliance upon the virtues of *laissez faire*; unrestrained economic liberty yielded immeasurable abuses; and a revolt of the working class was inevitable. The masses turned to social reform movements and found in collective bargaining, labor legislation, and socialism greater promise of protection than an unregulated economic system had afforded them.

Socialism

A broader conception and interpretation of the powers of the state has contributed much to the development of socialism. The evils and abuses of modern industrialism have been a potent factor in the development of a new conception of the functions of government. Even in the most individualistic countries, the courts now generally hold that the police or regulatory powers of the state may be exercised in protecting the weak against the strong and in safeguarding the common welfare, although this extension of authority limits and abridges the rights of individuals. Modern social legislation, which is generally viewed as a phase of state socialism, is sustained by the doctrine of the police power of the state.

In accounting for the expansion of the socialist movement one must recognize the earnest devotion of its leaders and disciples. Persecution and imprisonment for opposition to militarism, war, and the evils of capitalism in general have not destroyed their faith in the ultimate triumph of socialism. Exile and death have stimulated rather than repressed the movement.

An impartial analysis must recognize the constructive influence of socialism as a factor in its growth. Many persons have affiliated with the socialist movement because they have seen in its program and activities an emphasis upon the human, as distinct from the material and mechanical, factors in production and distribution. In calling attention to the evils and deficiencies of the present social and industrial order, and in marshaling the working classes in revolt against these conditions, socialism has done a notable service. Governments and private employers have introduced many reforms originally advocated by the socialists, and the movement for democracy in government and industry is in no small measure the result of socialist agitation. Individualistic industrialism has been forced gradually to give place to an increasingly social industrialism characterized by protective labor legislation based upon the principles of economic justice and social reform. Socialism has not, of course, been the only force promoting these objectives but it has been one of the important forces.

SOCIALISM IN THE UNITED STATES. The socialist movement in the United States dates back to 1874, when the Socialist Labor Party was organized

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by certain radical foreign and American wage earners. From its inception the revolutionary movement in this country has encountered great difficulty, due partly to internal dissension, partly to the relentless opposition of protagonists of the present social order, and partly to the comparatively better position of American wage earners. American trade unionism is traditionally conservative, which means that it is inclined to accept the capitalistic order of things and to avoid radical movements. The socialist movement has invariably co-operated with other reformist groups, such as the Greenback Party in 1880 and the more recent Farmer Labor parties. In the eighties anarchism threatened to destroy the socialist movement in this country, the International Working People's Association winning the adherence of many Marxists. Anarchism was repudiated by the socialists in 1883, and this decision has been adhered to ever since.

Certain members of the Socialist Labor Party desired economic action through unionism and political action through a political party. Balked in this desire, leaders like Samuel Gompers organized the American Federation of Labor, which gradually became a conservative union movement. The majority of the revolutionary socialists who remained in the Socialist Labor Party soon took steps to rid their movement of anarchists and to promote dual unionism through the Socialist Trade and Labor Alliance (1895) as a rival to the A. F. of L. Political action for propaganda purposes only and not for the enactment of social legislation was advocated by this group. Still another faction believed that existing unions should be captured for a radical program by boring from within and that political action designed to realize a particular legislative program should be sponsored. This faction withdrew from the Socialist Labor Party and later (1901) organized the Socialist Party. The Socialist Trade and Labor Alliance soon disappeared, and the Socialist Labor Party yielded leadership to the Socialist Party. For more than two decades the Socialist Labor Party has been practically dead.

Following the conversion of Eugene V. Debs to socialism as a consequence of the unsuccessful strike of the American Railway Union, the American Social Democracy was formed in 1897. Refusing to endorse utopianism, Debs and Victor Berger organized the Social Demo-

cratic Party of America. From this movement stemmed the Socialist Party, which was organized in 1901 and ever since has championed opportunistic socialism in this country. This party polled about 402,000 votes in the presidential election of 1904, or about 2.6 per cent of the total. In 1908, the party's total vote was 421,000, or 2.2 per cent of the total vote cast, while in 1912 the number of votes polled by the party was 895,000, or 5.9 per cent of the total. Although this was not an impressive showing, it was regarded by the socialists as encouraging.

During the World War (1914-1918) the socialist movement in the United States was concerned chiefly with relentless opposition to America's participation in the conflict and the securing of an early peace. The socialist vote in the presidential election of 1916 was only 590,294, or 3.2 per cent of the total. In 1920, Eugene V. Debs received 918,000 votes, or 3.2 per cent of the total (28,000,000), a relatively lower percentage than in 1912. This diminution in the socialist vote may be attributed partly to disruption within the movement itself and partly to the fact that the communists had practically tabooed the exercise of suffrage under capitalism. In September, 1919, the American socialist movement split into three distinct groups, the opportunist right wing remaining in control of the Socialist Party, the ultra-revolutionary left wing forming the Communist Party, and the center-left, whose policy was indefinite and vacillating, organizing the Communist Labor Party. Debs remained the leader of the Socialist Party until his death on October 20, 1926.

In the election of 1928 there were approximately 36,500,000 votes cast, of which Norman Thomas, the Socialist Party candidate, polled only 267,420 or 0.73 per cent. Victor Berger, the only Socialist congressman, was not re-elected. The candidates on the tickets of the Socialist Labor Party and the Workers (Communist) Party received an insignificant vote. Partly because of the progressive new dealism of Franklin D. Roosevelt, the elections of 1932 and 1936 yielded nothing but disappointment for the socialists and the communists. In 1932 Norman Thomas, the Socialist Party candidate for the presidency of the United States, polled only 884,781 votes, or 2.2 per cent of the total, while William Z. Foster, the Communist Party candidate, received only 102,991, or 0.3 per cent of the total.

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In 1936 Franklin D. Roosevelt, the Democratic candidate, received 27,476,673, or 60.1 per cent of the total, and Alfred Landon, the Republican candidate, polled 16,679,583, or 36.5 per cent. Contrasted with these large percentages was the showing of Norman Thomas, the Socialist candidate, who received only 187,720, or 0.4 per cent, and Earl Browder, the Communist candidate, who polled only 80,159, or 0.1 per cent. In 1940 Roosevelt polled 27,241,939 against Willkie's 22,327,226.

THE CONFLICT BETWEEN SOCIALISTS AND COMMUNISTS IN THE UNITED STATES. The conflict in the American revolutionary movement originated in the refusal of the right-wing faction to abandon its program of opportunistic political, social, and economic reforms and the demands of the ultraradical left-wing factions for an extremist platform seeking the immediate destruction of capitalism and the establishment of a proletarian dictatorship. The schism in European socialism, which drove political socialists to reaffirm their allegiance to the Second International and the Communists to organize the Third International, precipitated the crisis in American socialism. The Socialist Party has consistently adhered to its program of political, economic, and social reform. The Communists continued for more than a decade to oppose any compromise with reformists and insisted upon immediate revolutionary overthrow of capitalism. Signs are not lacking that the Socialist Party and the Communist Party of the United States, which continue to denounce each other, are moving toward a closer identity of aims and methods, but they are still far apart.

The Constitution and By-Laws of the Communist Party of the United States, which were unanimously adopted at the party's Tenth Convention in New York City, May 27-31, 1938, indicate a shift in emphasis and policy. The party pledged co-operation with all progressive movements that seek to destroy fascism and realize the democratic principles of life, liberty, and the pursuit of happiness. The immediate interests of workers, farmers, and all toilers are to be protected against capitalist exploitation, and the working class is to be prepared for its "historic mission" of overthrowing the capitalistic system. The logical conclusions of democratic principles are sought. These, according to the communists, include the common ownership of the national economy, the abolition

of all exploitation of man by man, and the establishment of a social order on the scientific principles enunciated by Marx, Engels, Lenin, and Stalin, and embodied in the program of the Communist International. Co-operation with the peoples of other lands is promised in seeking to attain a world without war and oppression—a world in which the brotherhood of man shall become a reality.

In adopting a reformist and seemingly less belligerently revolutionary policy, American communists appear to be moving toward an opportunistic and perhaps more realistic program. This change in policy, which is the product of recent years, is unquestionably dictated by the necessity of adjustment to American conditions. Marxists quite generally, and the communists especially, have made the fatal mistake of interpreting American conditions in terms of European experience, a tendency which has led to considerable exaggeration of the ills of American society.

It must not be understood that this seeming shift of American communism to a reformist attitude and policy involves the abandonment of traditional methods and objectives. Endorsement of progressive labor legislation, active participation in the formation of a more militant unionism, acceptance of political representation, co-operation with progressive social movements, and similar reformist activity do not mean that the Communist Party of the United States will cease to advocate the direct and immediate destruction of capitalism and the intensification of the class struggle. Earl Browder, the leader of the party, has made this unmistakably clear. "We communists declare," he states, "and we have proved it by experience, that only class struggle policies can bring victories for the workers in the day-to-day battles for immediate needs."⁵ Nor does he have any illusions about the possibility of a peaceful transition to communism. "The revolution," he says, "does not simply *happen*; it must be *made*."⁶ It is evident that the communists would at any opportune moment and by any effective means seize political and economic power, because they believe that the capitalists will not surren-

5. Earl Browder, *What Is Communism?*, New York, Workers Library Publishers, 1936, p. 123.

6. *Ibid.*, p. 125.

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der power willingly and peacefully. The American Socialist Party appears to have abandoned force as an instrument of revolutionary change and social reconstruction; it rejects dictatorship as an agency of completing the social revolution. The Communist Party of the United States asserts that it does not advocate or idealize violence, but it is quite certain that violence is necessary in effecting social revolution. "History," states Mr. Browder, "does not show a single example in which state power is transferred from one class to another by peaceful means, whether in the form of voting or some other method of formal democracy." ⁷ And he insists further: "But for the workers to win a real democracy for themselves they must organize the dictatorship of the proletariat against the capitalists." ⁸

Viewed more closely, the basic program of revolutionary communism in the United States is much more far-reaching than the program of socialism, which is definitely opportunistic and gradualistic. Complete disruption of the capitalistic state and the elimination of every vestige of bourgeois parliaments are demanded. Organization of a dictatorship of the proletariat is proposed as the initial step in the communist reconstruction of the social order, subsequent to the anticipated successful social revolution. Participation in political campaigns under capitalism is now approved but it is to be of secondary importance, devoted partly to the protection of democratic ideals and the advancement of the workers' interests but largely to the task of disseminating communist propaganda against capitalism. No longer are the political representatives of the Communist Party forbidden to introduce reformist measures for the realization of democratic ideals, but parliamentary privileges are still to be utilized whenever possible for the purpose of exposing capitalist exploitation of the workers and the indoctrination of the masses.

The major activities of the communist movement are to be carried on in industrial struggles in order to develop a general understanding of the function of the strike as a revolutionary weapon in overthrowing the existing social order. The revolutionary implication of the general strike and of all mass action is constantly stressed; the immediate purposes of strikes are fully recognized, but these are seen in their relation

7. *Ibid.*, p. 127.

8. *Ibid.*, p. 129.

not only to improved conditions for the masses but to the ultimate destruction of capitalism. Communists favor the organization and support of industrial unionism instead of what they describe as the "reactionary craft unionism of the American Federation of Labor." This explains why the communists have been openly sympathetic with and active in the vertical unionism of the Congress of Industrial Organizations ever since this movement was established in 1935.

Up to 1927 the communists, under the direction of the Trade Union Educational League, tried boring-from-within tactics by which they hoped to gain control of existing unions, especially those affiliated with the A. F. of L. Expelled from conservative unions, communists have tried alternative approaches to the capture of American unionism for revolutionary purposes. At first, dual unionism, that is, the organization of rival unions to dispute the jurisdiction of established unions was attempted under the leadership of the Trade Union Unity League, especially between 1928 and 1934. The failure of the T.U.U.L. to make significant progress, even under the National Industrial Recovery Act (1933) which favored collective bargaining, led to its dissolution. Its members were urged to join the A. F. of L. unions and try again to bring them within the revolutionary movement through boring-from-within tactics. The emergence of the C.I.O. was a signal for a shift of communist support, since industrial unionism has always been favored by communists. The C.I.O., moreover, was organized to unionize the workers in the mass production industries and to give special attention to the unskilled workers, who had been neglected by the A. F. of L. At the present time the communists are active in both of these major divisions of the American labor movement and hope eventually to gain control of them. This would seem to be a difficult task.

The communist movement has greatly disrupted the Socialist Party, the membership of which is now comparatively small. The Workers (Communist) Party has made insignificant progress among American wage earners. It is very difficult to distinguish the aims of American socialism from those of American communism, despite certain doctrinal differences that have been set forth in the preceding pages. Some differences may be recognized, although there is a constant shift in doc-

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trinal and tactical position by both factions. First, socialism advocates socialization of producers' goods, especially those used in large-scale production, while communism believes in the social ownership of all producers' goods and also of consumers' goods. Second, socialism is inclined to favor the distribution of income in accordance with services rendered, whereas communism favors distribution either on a basis of equality or according to needs. Third, the economic motivation favored by most socialists is not radically different from the material motivation of capitalism, namely, the desire for an adequate share in produced wealth, while communists stress noneconomic motivation, that is, service to society. Fourth, socialism is basically opportunistic, believing in immediate political, economic, and social reforms and evolutionary methods, while communism is impatient with such reforms and presses for immediate social revolution. These may appear to be distinctions without differences or, at best, differences in means rather than in ends. After all, the ultimate social ideal of all thoroughgoing Marxists seems to be a community of freely associated individuals, which is regarded as the final stage of communism. Whether this goal is to be attained by evolutionary or revolutionary methods is, according to many socialists and communists, relatively immaterial, since the end always justifies the means. The flexible and pragmatic policies of the Soviet Union suggest that the communists are not too rigidly bound by orthodox Marxian tradition. In the crisis of a social revolution, the socialists and the communists would probably forget their doctrinal and tactical differences in the interest of strategic advantage and the unity of revolutionary aims.

MOVEMENTS IDENTIFIED WITH SOCIALISTIC TENDENCIES. There are many movements that may not be correctly described as socialism, but which are regarded both by socialists and by their opponents as distinctly socialistic in character. It is believed that these tendencies are preparing the way for the transition from capitalism to socialism, if they do not themselves form a part of that transition. In the category of these movements are usually included the growth of corporations and trusts, social legislation, the co-operative movement, public ownership of public utili-

ties, the labor movement, and the democratization of industry through shop committees and industrial councils.

As already suggested, communists in the United States now encourage and assist social reforms, even though they have comparatively little confidence in the value of such measures as agencies for the permanent improvement of the wage earner's status. Communists fear, moreover, that these opportunistic measures tend to make the wage-earning class satisfied with a modified form of capitalism. Socialists are inclined to favor social reforms as a means of hastening social readjustment and paving the way for social reconstruction.

1. *Corporate Organization of Economic Life.* Socialists see in the modern giant corporation and trust a practical demonstration of the possibilities, economies, and efficiencies of collectively owned and operated industries. They claim that the increasing integration of industry and concentration of control which corporate organization introduces will make it comparatively easy to expropriate the capitalists and so effect the transition from capitalism to socialism. Monopolistic control of prices and the political corruption practiced by corporations will, it is believed, create a spirit of revolt and solidarity among producers and consumers that will lead to a demand for collective ownership and control.

2. *Social Legislation.* Many socialists regard social legislation as a definite movement toward collectivism. Protective labor laws which provide for minimum wages, workmen's compensation, sickness benefits, old-age pensions, and the abolition of child labor are approved by socialists as conducive to the extension of social control. While many socialists fear that these reforms placate the workers, an increasing number believe that they destroy the defenses of the capitalist, create a desire for further social regulation and control, improve the physical and intellectual status of the workers, and encourage them to engage more actively in the work of social reconstruction.

3. *Co-operation.* In the co-operative movement, as conducted in Great Britain and Sweden, the socialists discover a very powerful agent for the stimulation of social ownership and management of industry and

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business. The ultimate goal of true co-operation is the realization of a co-operative commonwealth. The co-operative state must not be confused with the corporative state of fascist Italy or national socialist Germany, for which the socialists have no use.

4. *Public Ownership.* Public ownership of public utilities, such as the means of communication and transportation and water, light, and power systems, is often regarded as a step toward socialism. Consequently, any tendency toward public ownership and operation is favored by socialists and opposed by conservative capitalists. Education and natural resources should likewise be socialized, the socialists believe. In many countries the railway, telephone, and telegraph systems have been taken over by the government, and in every country the postal service is a public industry. Many municipalities, even in the United States, own and operate water, power, and light utilities. Education is almost everywhere now regarded as basically a public function.

5. *Industrial Unionism.* Socialists deplore the tendency of craft unions to split the workers' movement into fragments; replacement of craft unionism by industrial unionism is favored. Any movement for democratization of industry is endorsed by socialists, since this will educate the workers for the assumption of industrial government under socialism and reduce the power of the capitalist-employer class. Collective bargaining, therefore, is approved by both socialists and communists in the United States. Vertical or industrial unionism, which unites all workers into one union in each industry, assures greater solidarity of workers in dealing with employers. Moreover, industrial unions can easily be integrated into a powerful unit, which Marxists believe has real revolutionary possibilities.

6. *New Dealism.* The new dealism introduced by President Franklin D. Roosevelt beginning in 1932 has often been branded as socialistic by his critics. Socialists and even communists have been inclined to view the Roosevelt program with some approval, especially those measures providing for the Social Security Board, the Tennessee Valley Authority, the Securities Exchange Commission and the National Labor Relations Board. There is no evidence that the new dealers desire a fundamental shift in the ownership and control of property from individuals to so-

Socialism

ciety, such as socialism contemplates. Capitalism is to be repaired and improved rather than displaced by the multiplicity of changes which the New Deal has championed. It is unlikely that drastic social readjustments will result from this program.

THE ALLEGED INEVITABILITY OF SOCIALISM. Although all the tendencies discussed above introduce a large measure of collective ownership and control, the socialists indulge in excessive optimism when they believe these changes will lead inevitably to complete socialization. Optimism is an essential element in the Marxian theoretical system. Conscious of the obvious evils and deficiencies of the present social order, socialists ever since Marx have prophesied that the socialist commonwealth is inevitable. There is nothing in present political, economic, and social readjustments to justify such a prophecy. Before rational human beings will consent to the destruction of capitalism, which has been built up through centuries of effort and which, through its dynamic and creative nature, has brought to mankind greater material benefits, wider cultural opportunities, and more substantial civil, religious, and social liberties than have ever been enjoyed hitherto, socialists will have to prove conclusively many things. They will have to find reliable answers to numerous questions as to whether a socialist commonwealth can furnish adequate incentives to individual activity, maintain industrial discipline, guarantee law and order, intelligently and competently assign tasks, provide a just distribution of income, compel the employment of the shiftless and lazy, safeguard individuals from a despotic bureaucracy, preclude the rise, or at least the continuance, of a dictatorship, protect civil and religious liberties, assure political and industrial democracy, and manage domestic and foreign trade relations efficiently.

Even if Russia eventually should succeed in establishing a substantial measure of pure communism, there is not the slightest basis for the belief that socialism is the inevitable successor to capitalism in other countries. The history of Europe since the World War suggests that fascism or some other form of social organization is at least a possibility. Certainly the numerical weakness of the Marxist movement and the apparent conservatism of the trade union movement in the United States would indicate that neither parliamentary socialism nor bolshevized

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communism has any chance of immediate realization here. It would seem, therefore, that American wage-earning classes will continue to find their most effective means of progress in such agencies as collective bargaining and labor legislation.

Questions for Class Discussion

1. Analyze the popular misconceptions of socialism, and formulate what seems to you to be an accurate conception.
2. In terms of its general objectives what may be said to constitute the essential characteristics of the socialist movement?
3. What are the basic differences between the various schools of socialist thought? Do you think these differences are irreconcilable?
4. Distinguish between socialism, liberalism, syndicalism, and anarchism. Is there a sound basis for identifying these with modern socialism?
5. What motives and purposes occasioned the organization of the socialist internationals?
6. After a critical examination of the socialist indictment of capitalism do you think this indictment has any validity?
7. What is the economic interpretation of history? Do the facts of historical development in any way support such a theory? Can you cite any historical episodes in which economic factors played a major part as determining factors?
8. What is the doctrine of the class struggle? Has this doctrine any historical foundation? Do you think it has any validity in the economic life of the United States?
9. Analyze the Marxian theory of value and surplus value. What are the basic fallacies of this theory from the point of view of the generally accepted theory of value? Do you think there is any truth in the socialists' contention that even if the theory of value be proved invalid the fact of surplus value is undeniable?
10. State the theory of capitalist development as advanced by Marx. What elements of this theory appear to have considerable plausibility?
11. What is your conception of the nature and degree of economic reorganization that inevitably would follow the inauguration of socialism? How different, if at all, would this reorganization be if communism rather than socialism were introduced?
12. In view of the drastic social and economic changes proposed by the socialist and communist movements, how do you explain their growth?
13. Sketch the development of the socialist movement in the United

States. Generally speaking, has it been successful? Do you think there is a sound basis for the belief that Marxism is a real threat to American institutions?

14. What are the principal points of difference in the theories of socialism and communism in the United States?

15. What social and economic reform movements in the United States are quite commonly but erroneously viewed as identical with socialism? How do you explain this confusion?

16. Is there any basis for the Marxian belief that socialism is the inevitable successor of capitalism? Do you think the history of Europe during recent decades lends any support to this prophecy? If capitalism were ever to disappear in the United States do you think socialism is likely to succeed it?

Collateral Readings

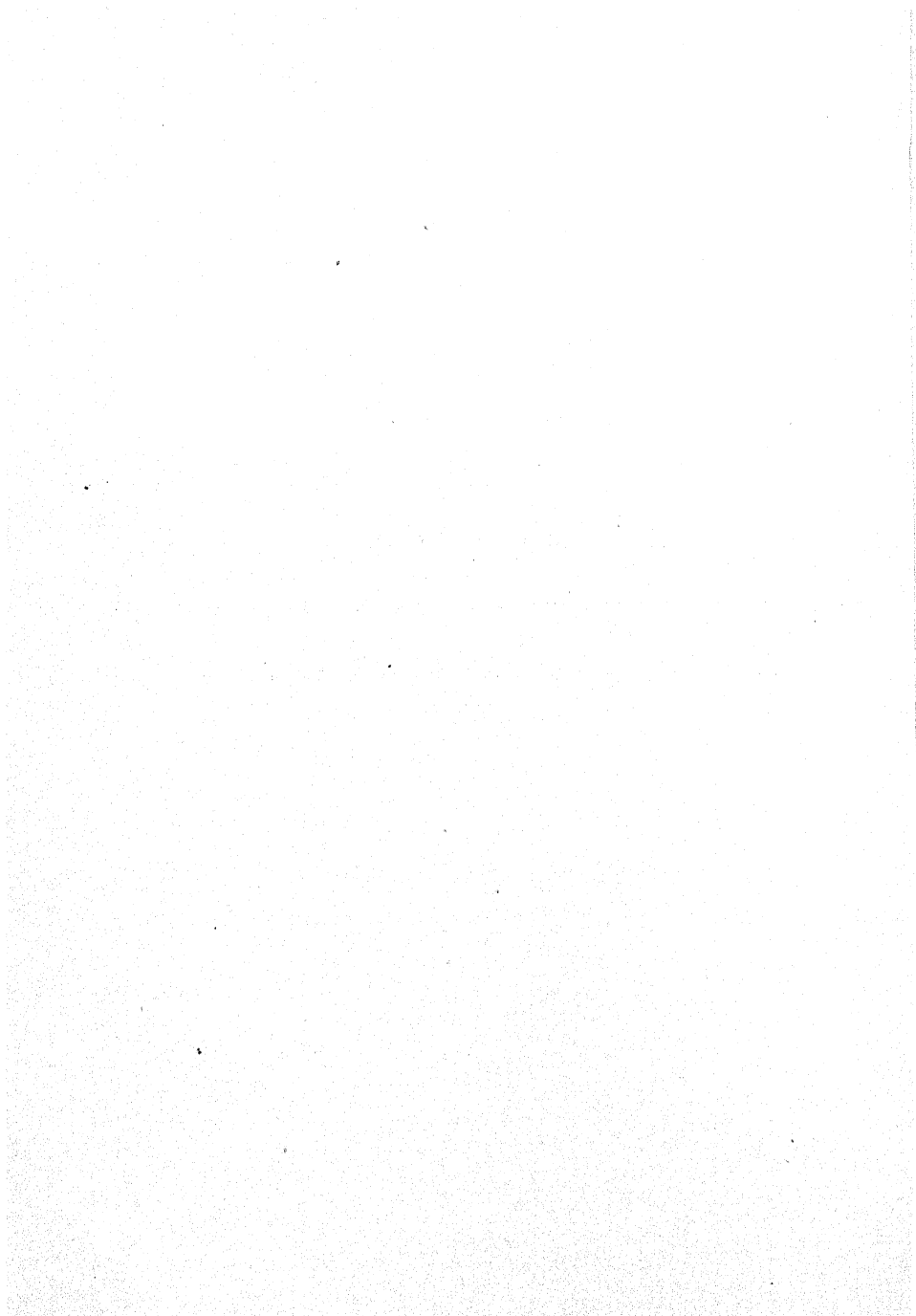
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PART V

THE EMPLOYER'S APPROACHES TO A SOLUTION



Chapter 23

SCIENTIFIC MANAGEMENT AND PERSONNEL ADMINISTRATION

¶ THE EMPLOYER'S APPROACHES TO LABOR PROBLEMS. The employer is usually in business for the profit he can make for himself and his stockholders from a successful management of the enterprise. His method of approaching the problems of employer-employee relations are naturally different from those of his worker. If the worker believes that his wage is low, he does not consider the competitive nature of his employer's business. The worker thinks of ways and means of forcing his pay to higher levels. If his working conditions are bad, he does not think of the cost of betterment in terms of the balance sheet or profit and loss statement of his employer's concern. Rather he may think of the possibility of establishing the processes of collective bargaining with the employer.

In the chapters of Part IV we have seen in considerable detail how the worker's approaches to labor problems are largely through some form of collective bargaining and trade unionism. We now turn to an examination of the ways by which the employer attempts to meet these problems. In at least one respect his approach is quite similar to that of his employee, for employers have found great advantages in maintaining active membership in various types of employer's associations. This is a common form of employer unionization for the purpose of concerted action on the part of capital in dealing with these problems. But in other important respects the employer's approach is basically different from that of the worker. A relatively new method of approach has been introduced into American industry, one made possible by the

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development of the field of modern management. Successful management today is "scientific" management; it is a science of the management of men, materials, and machines. In our consideration of this field we turn our attention first to a review of the employer's search for practical solutions of the everyday problems of employment relations and of the more fundamental problems of industrial and social unrest.

THE FIELD OF SCIENTIFIC MANAGEMENT. Scientific management, as taught by Taylor, Gantt, Emerson and other pioneers, endeavors to ascertain by means of accurate industrial analysis the conditions that underlie efficiency in production and to formulate the scientific laws that govern industry. Empiricism and trial and error are to give place to scientific laws in industrial organization and operation. It is contended that production and distribution are governed by immutable natural laws that operate independently of human judgment. The discovery of these laws will protect the workers from speeding and exhaustion, introduce just treatment for individual workers, and increase the skill and efficiency of the working force. It will aid in securing the maximum of prosperity for each employee.

In the midst of revolutionary changes in the organization and technique of production, Taylor saw the need for scientific planning which involved simplification and standardization. The wastes and inefficiencies of industry were obvious to him. He knew that, since the earliest days of modern industrialism, workers had been placed in jobs they could not fill competently because of inadequate or improper training. Placed under the instruction of an old operator, the new employee would be taught many inaccuracies as well as many accuracies of operation. This was the "rule of thumb" method of production, which, prior to the coming of scientific management was traditional in American industry. Under this system any kind of worker was placed at any kind of a job and trained in any kind of a way, if at all. It allowed all sorts and varieties of tools to be used, followed the theory that labor must be driven to a point of exhaustion in production, and totally disregarded the influence of environmental factors upon efficiency. This system of work was built on the assumption that all an employee needed was time and he would discover the best ways of performing any task.¹

1. From Gordon S. Watkins and Paul A. Dodd, *The Management of Labor Relations*, p. 39. Reproduced by permission of the McGraw-Hill Book Company, publishers.

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Modern scientific management thus arose under the early tutelage of Taylor and his associates for the purpose of allowing management to escape the errors and shortcomings of traditional methods of employer operations. This new field of management has assumed four major responsibilities: the development of a standard and efficient method of performing each element of a worker's task; the scientific selection, training, and direction of employees; the securing of the co-operation of labor in the effective application of these principles; and the equal division of responsibility between workers and management in the attainment of desired productivity and efficiency. Modern scientific management attempts to synthesize and co-ordinate the factors of production in such a way that the greatest possible productivity is maintained to the mutual benefit of both parties to industry. The scientific method of attaining these objectives is efficiency study, much of which involves time and motion analysis. This study is not to be used merely to set the task and rate of efficiency for labor, but to discover the reasonable amount of time it should take to perform a given task, with due regard for the material and human factors involved. It is essentially the science of the management of men, materials, and machines.

Scientific management can become an effective method of better understanding and more peaceful relations, but it has not accomplished the great results that its prophets claimed for it. This may be accounted for in several ways. Almost insurmountable difficulty has been experienced in accurately measuring time and motion in their relation to objective tasks. Human beings are the variable factor in production and distribution, and it is practically impossible to predetermine their reactions. Men do not always work with the same speed and accuracy. In the measurement of these objective facts, moreover, human judgment is not infallible, and selfishness, prejudice, and favoritism have great influence. Human ingenuity has not yet been successful in determining the relative specific productivity of the various agencies in production—land, labor, capital, and the enterpriser—so the just distribution claimed by scientific management is impossible. Present-day "scientific" management has too often proved to be undemocratic in purpose and administration. The whole scheme originates with and is

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administered by the employer. As applied in many establishments, it has been merely a ruse to speed up the workers and has often resulted in exhaustion and fatigue. Scientific management substitutes the individual for the collective bargain and weakens the competitive bargaining power of the individual workman. It has been justly criticized for its tendency to reduce the mass of industrial workers to the status of the semiskilled, since they constantly react in machine-like fashion under the direction of the stop watch. It seeks constantly to adjust the worker to the job and never the job to the worker, results in monotonous specialization, and stifles self-expression. For these and other reasons organized labor has been unalterably opposed to Taylorism and much of its current application.

THE SCIENCE OF PERSONNEL ADMINISTRATION: PERSONNEL MANAGEMENT. The old scientific management often failed because it did not fully appreciate the importance of the human factor in industry. It was left for the new science of personnel management to discover and evaluate properly the human elements in production and distribution. Low production is caused not merely by faulty organization and direction of materials and machines but by unscientific management of men. Industrial managers have understood the mechanical forces of production, but they are only just beginning to comprehend the fact that production is conditioned no less by physiological and psychological factors.

Personnel administration has been defined as the "direction and coordination of human relations of any organization with a view to getting the maximum necessary production with a minimum of effort and friction, and with proper regard for the genuine well-being of the workers."² The new science of management, or human engineering in industry, is built on a full appreciation of the relation that exists between maximum production, on the one hand, and the satisfaction of the basic instincts of self-preservation, self-expression, self-respect, loyalty, love of homemaking, worship, and play, on the other. Personnel supervision requires careful thought and sympathetic understanding;

2. Ordway Tead and H. C. Metcalf, *Personnel Administration*, 2nd ed. (McGraw-Hill, 1926), p. 2.

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it is one thing to know machines, but distinctly another to know men. "Heretofore," said one successful American industrialist, "the chief executives of important industrial corporations have been selected largely because of their capacity as organizers or financiers. The time is rapidly coming, however, when the important qualification for such positions will be a man's ability to deal successfully and amicably with labor."³

For the performance of such a task many organizations have already created the personnel department, under the direction of a personnel manager or industrial relations officer.

THE PERSONNEL DEPARTMENT AND ITS FUNCTIONS. Progressive employers provide safe, healthful places of employment, and machinery, tools, methods, and processes that stimulate rapid work of good quality and reduce to a minimum the hazards to health and body. Protection is given against contagious or communicable diseases; and medical, surgical, and dental services are often provided. There is frequently competent, sympathetic supervision that recognizes both the physiological and psychological elements in production. An increasing attempt is made to gain a proper adjustment of the worker to the job, taking into account temperamental, physical, and industrial qualifications. Special facilities for training new and inexperienced employees and for preparing experienced workers for more responsible positions in the plant are installed.

Many progressive enterprises provide proper nourishment at cost, or at a reasonable charge, during the working day. In the best managed establishments there are time and facilities for rest and recreation, especially where work is heavy, monotonous, and likely to result in overexertion and fatigue. Educational campaigns acquaint the worker with methods of keeping well and avoiding injuries. There are opportunities for transfer and promotion and improvement of technical knowledge. Large numbers of companies have made provision for assistance in adjusting social and financial difficulties; for disability funds, pensions, and group insurance; and for instruction in the value of thrift, do-

3. John D. Rockefeller, Jr., *The Personal Relation in Industry* (New York, 1917), p. 7.

mesticity, morality, and sobriety. The activities incident to the execution of such a comprehensive program are entrusted to the various subdivisions of the personnel department, namely, employment, research, health, safety, welfare, education, and joint control. Joint control will be considered in a later chapter in connection with shop committees.⁴

EMPLOYMENT POLICIES AND METHODS. No phase of industrial relations has commanded more attention recently than the problem of hiring and firing. Enormous waste is incurred by careless methods. Progressive concerns now recognize that intelligent selection of employees cannot be made at the factory gate, nor by foremen who are trained to get production but not to understand the selection and placement of men. The employment manager in modern industry is a specialist in choosing workers and in placing them after they have been selected. His office is attractive, and applicants, instead of having to stand in line at the factory gate, now rest comfortably while waiting their turn for the confidential interview with the employment manager.

The methods of labor recruitment are improved greatly in the up-to-date establishment. Promiscuous advertising for employees through the medium of the daily newspaper, private fee-charging agencies, labor scouting, and the "men wanted" sign bring to the plant a mass of workmen far in excess of the requirements and, for the most part, lacking the necessary qualifications for the jobs available. The well-managed employment office finds better sources of labor supply in the friends of present employees, public school and high school graduates, public employment offices, the headquarters of trade unions, and the community canvass.

Care is exercised to determine whether the applicants are fitted for the available positions. Physical, mental, and moral qualifications, trade knowledge and skill, age, sex, nationality, and experience are among the facts ascertained. Detailed application blanks are filled out, and intelligence, trade, special ability, and temperament tests are often used for rating the worker. A systematic attempt is made to introduce the worker to the departmental head or supervisor and fellow-employees and to explain the office and shop rules, practices, conveniences, and

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company policies. These instructions are sometimes accompanied by tours of the organization, all of which serve to dispel the feeling of strangeness that so often causes strain and turnover. Efforts are made to follow up the employee and to ascertain his progress. In this way mistakes in selection and placement are corrected and workers are shifted to the jobs they can fill best.

JOB ANALYSIS AND SPECIFICATION. Proper selection and placement of employees are dependent upon accurate knowledge concerning the jobs that are to be filled. Such information is made available through job analysis and job specification. Job analysis examines the exact nature of the positions in the plant to find out the conditions under which the jobs are done and the physical, mental, and moral requirements for their successful execution. The early scientific management made the mistake of overemphasizing objective, material facts to the almost total exclusion of human considerations involved in the performance of the task. Job analysis avoids this mistake by studying not only the requirements of the job, but also its effect upon the physical and mental well-being of the worker and the relation of his qualifications to its performance. In other words, there is careful co-ordination of the human and the material elements that are to be applied in production. This promotes industrial efficiency, contentment, and good will. Misplacement of personnel results in discontent, inefficiency, and labor turnover. Job analysis furnishes information concerning the type of machine used in the performance of the work, the nature of the equipment to be handled, the availability of materials, necessary motions, posture of the body while at work, time element, quality of the product, the quantitative character of the output, remuneration, and the opportunities for advancement. These and other necessary data are usually listed in the job specification sheet and filed in the employment office.

TRANSFERS AND PROMOTIONS. Advancement and promotion are an essential part of any successful personnel program, since the best type of workers will be reluctant to remain in any plant in the absence of opportunities for improvement of their economic status. Continuous employment on one job becomes monotonous even to the most willing worker. The desire for variety is instinctive in every normal human be-

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ing. Transferring an employee from one job to another may relieve him of nervous tension and thus yield the double advantage of a greater volume of output for the employer and greater interest and mental stimulation for the employee. Transfer is sometimes used as a means of distributing the employee force where departmental needs are greatest. Restlessness, instability, and inefficiency are evidences that transfer should be effected, but care should be exercised in making an adjustment between the worker and the new job.

Promotion is a more progressive form of transfer and consists not only of a change to a superior position but also of additional remuneration. Industrial experience has shown that if employees are afforded ample opportunity for advancement, present positions are likely to be less irksome and general efficiency of the workers is increased. Recognizing the relation that exists between transfer and promotion, on the one hand, and a stabilized, co-operative, and efficient working force, on the other, progressive concerns have provided within the personnel department adequate means for effecting transfers and promotions at the proper time. The employment department assumes the responsibility for the collection of data regarding the opportunities for transfer and promotion within the various departments and for ascertaining the special qualifications and merits of individual workers. A safeguard is thereby provided against indiscriminate hiring and discharging of employees. Under this plan all responsibility rests with the personnel department, the supervisors participating only to the extent of making recommendations.

GRIEVANCES AND DISCHARGES. We have seen that unrest and friction in industrial relations develop from the fact that employers frequently disregard or fail to appreciate fully the complaints and grievances of employees. Charges of favoritism, discrimination, unfair treatment, mistakes in the pay envelope, and other complaints may seem trivial to the employer, but they are usually very serious to the workers. The deaf ear that is often turned to complaining employees is largely responsible for the growth of a feeling of industrial injustice, suspicion, mistrust, and class hatred. Not infrequently men are discharged for causes that to them seem insignificant, and often the reasons for dismissal are

not clear or are not known at all. The absolute right to hire and fire in modern industry has been exercised autocratically, especially when delegated to foremen who, because of favoritism, difference in political and religious views, personal jealousy, or a feeling of superiority, discharge workers indiscriminately without even attempting to assign any cause or to justify the action to the worker.

It is not sufficient, therefore, for managers to refer complaints and grievances to supervisors. Some other agency of adjustment must be provided. Either the manager must provide regular hours for hearing such cases, or the responsibility must be placed upon the employment or personnel department. There is a growing tendency in Europe and the United States to delegate such matters to joint committees composed of representatives of management and employees. Whatever method may be introduced, it is commonly agreed that the channels of communication between these parties should always be open. In no other way can even a semblance of democratic administration of industry be assured and industrial peace and good will promoted. An efficient personnel department does much to make the worker feel that he is getting a square deal, and this is the genesis of successful industrial management. Without a contented personnel, productive efficiency is impossible.

Employers have discovered that much valuable information and many interesting sidelights concerning their employment policies and supervision can be obtained in a careful consideration of the problem of labor turnover and other evidences of a dissatisfied personnel. Provision is often made, therefore, for interviews with all employees who are leaving the service of the company, whether voluntarily or because of discharge. Only in this way is it possible to ascertain whether a worker has been justly or unjustly dismissed, to discover the causes of unrest among the working force, and to formulate successful employment methods. Such an employee is not given his final pay until there has been an interview with the employment manager or some official representative other than the worker's immediate superior who ordered the discharge. More and more employers are being convinced that "it is just as good a business policy to have employees who leave

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the firm go away thinking well of the company as it is to see that customers remain kindly disposed toward the company.”⁵ It is frequently found that desirable workmen leave because of dissatisfaction with the determination and methods of remuneration, hours of labor, and conditions of employment. Until the advent of protective legislation, many others were discharged because of union activities. To these matters the personnel department gives careful attention.

HEALTH MEASURES FOR EMPLOYEES. Industrial medicine is the “theory and practice of medicine applied to the purpose of preventing and alleviating sickness and injury among industrial workers in order that they may enjoy the benefits of continuous productive employment.”⁶ It embraces almost every kind of medical practice and is an important phase of the larger field of welfare work. Welfare work, as applied to industry, generally refers to any provision for the workers’ intellectual or social comfort and improvement that is not a necessary part of industrial provisions or required by legislation.

In order to safeguard the health of the workers, progressive companies have introduced medical departments, with industrial surgeons and a staff of nurses and attendants. The medical department conducts examinations of employees at the time of hiring and at such subsequent intervals as are deemed necessary, gives immediate attention to industrial accidents, advises and examines employees in cases of sickness, formulates and supervises sanitary measures, and promotes general health education among employees. The absence of such measures often means the loss of health or life to the workers and a heavy financial burden to the company.

Organized labor is inclined to oppose physical examinations on the ground that they deprive many persons of employment, infringe upon the worker’s personal liberty, and may be used as a means of black-listing and discriminating against members of trade or industrial unions. It is contended, moreover, that such information is of a pro-

5. William M. Leiserson, “Relations between Employer and Employee,” *Monthly Labor Review*, vol. ix, October, 1919, p. 1203.

6. C. D. Selby, *Studies of the Medical and Surgical Care of Industrial Workers*, U. S. Public Health Service, Bulletin no. 99 (1919), p. 5.

fessional nature and does not belong in a business or industrial establishment. Such abuses do arise sometimes, but this is not sufficient reason for rejecting the constructive principle underlying health measures. The employee may benefit greatly from the initial and periodical examinations. He is informed of physical deficiencies of which he may never have been aware, the expense of remedying these weaknesses is often shifted to the company, and he is given tasks for which he is physically fitted, thereby being protected from overstrain and fatigue. The worker has the assurance that he is safeguarded against new workers' bringing in contagious disease, and he is made to feel his employer's interest in the welfare of the personnel. Investigation has shown that only a few of the applicants are rejected, while the majority have benefited greatly by this constructive health policy.

Precautionary measures are taken not only in selecting employees but also in safeguarding the physical welfare of the entire working force. Periodic rests during the day are provided to relieve the strain and to break the monotony of close, exacting work. Where employees are engaged in unusually heavy or nerve-trying work, shifts are arranged or transfers are provided, in order to rest the brain and muscles of the workers. Sometimes light refreshments are served in the middle of the forenoon and afternoon, or brief periods of vigorous recreation are provided. Many concerns give their employees annual vacations or, in case of illness, extended periods of rest on part- or full-time pay. Care is also taken to prevent sick or injured workers from returning to work prematurely.

Stabilization of the working force and increased efficiency are among the results of these protective activities. The expense is not so great as many employers have imagined. The cost of conducting physical examinations is about one-third the total cost of running the medical or health department. A study of 276 companies having medical service plans in 1930 showed that the total expense of all medical service, exclusive of compensation for injuries, was \$5.10 per employee per year, less than one-fifth of which in each case covered the cost of examination.⁷

7. National Industrial Conference Board, *Medical Service* (1936), p. 84.

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COMFORTS AND CONVENIENCES. Health measures and physical comforts and conveniences are closely associated in industry. Facilities for promoting physical comfort for employees in mercantile and industrial establishments include good heating, lighting, and ventilating systems; cold and pure drinking water; washing-up, locker, and dressing-room equipment; lunchrooms and restaurants; and devices for easing work which allow pauses in the processes. Impure air, excessive heat and humidity, and extremes of temperature cause lassitude, headache, restlessness, and general discomfort among employees. Improper or inadequate lighting facilities cause headaches and other effects of eyestrain, increase the danger of accidents, and affect unfavorably both the quality and the quantity of output. Employers, recognizing the many dangers to health in impure water, provide pure water and clean drinking facilities. Either voluntarily or under the compulsion of law, many firms now install sufficient lavatory facilities, individual lockers, rest rooms, and dressing rooms, especially for female employees. Clean, attractive lunchrooms, restaurants, or cafeterias furnish wholesome food at reasonable prices in the up-to-date establishment. Even where there are no legal requirements, firms are now furnishing seats to provide relaxation while at work. This is especially beneficial for women employees, who may be injured by prolonged standing. These improvements encourage both efficiency and economy.

THE SAFETY-FIRST MOVEMENT. No phase of personnel administration has attracted more attention and achieved greater results than the safety movement. It was not until 1906 that the first exhibit of safety devices and appliances was held in the United States, under the auspices of the New York Institute for Social Service. In the following year the American Museum of Safety was organized, and in 1912 a small body of engineers meeting in Milwaukee instituted the National Safety Council, with headquarters at Chicago, to carry on a general campaign against accidents. Ever since this organization, which includes thousands of industrial concerns, has assumed the leadership of the movement for "safety first." The council is a co-operative, noncommercial, nonprofit-making organization devoted to the prevention of both in-

dustrial and public accidents and the maintenance of the health of industrial workers throughout the country. It contends that at least 75 per cent of all accidental deaths and serious injuries in industry can be eliminated, at a saving of hundreds of millions of dollars in wages to the workers and in costs of production to management.

The United States has taken the lead in the promotion of safety in industry, and some remarkable achievements have been recorded by industrial concerns in this country. Every accident indicates the presence of defective materials, machines, or men, or, more commonly, a combination of deficiencies in all these productive factors. American experience suggests that many of these accidents are preventable. Prevention is the combined task of the whole executive force, the workers, and the safety engineer, who is now an essential part of the personnel of progressive corporations. It has been estimated that 65 per cent of accidental deaths in industry are preventable by proper safety methods and 24 per cent by necessary precaution on the part of the workers, while 11 per cent are the unavoidable risks of the trade. Such estimates have been substantiated by numerous industrial corporations in whose plants accidents have been reduced 60 to 95 per cent.

Many years of experience with safety first movements in this country indicate that half the results in reducing accidents have been obtained through effective organization, including a proper attitude on the part of management and officials, safety committees, and inspection by workmen; a third through educational methods, such as instruction of employees, prizes, signs, bulletins, and lectures; and the balance by safeguards, including safety devices built about machines, proper lighting systems, and cleanliness. Workers' safety committees meet at frequent intervals, make inspections of the plant at stated periods, and submit suggestions for improvements. The Chicago and Northwestern Railroad Company found that during the first three years of its organized safety work the employees' committee had reported 6,000 points of danger, and that 87 per cent of their recommendations were practical and had been adopted. Between 1906 and 1936 serious and fatal accidents in the operation of all subsidiary companies of the United States

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Steel Corporation were reduced 62 per cent and 78,122 men were saved from serious or fatal injury by means of the safety program in force during this period.

Organized safety work yields benefits to the employer as well as to the employees. Such work keeps the organization intact, thereby increasing production and reducing manufacturing costs. Losses incurred in breaking in new employees to take the place of injured ones are avoided. Medical fees and compensation awards are greatly reduced. More harmonious industrial relations are cultivated by giving the workers a part in industrial management and assuring them of the employer's interest in their welfare. A study of a large number of concerns indicates that the compensation costs for companies having no organized safety movement are many times greater than for concerns having such a movement. The benefits accruing to the workers cannot be measured in dollars and cents.

RECREATION. Employers have been reluctant to assume direction of the leisure-time activities of their employees because this step, even more than other phases of personnel and welfare work, is open to the charge of paternalism. Such action has been taken by many companies, however, in the belief that a constructive work can be accomplished, especially in outlying mining camps and other industrial districts in which recreational facilities are not very accessible or do not exist. Experience has shown that provisions for recreation succeed best under the direction of employees and when the workers themselves have taken the initiative in introducing them. Sometimes the expense of maintaining recreational facilities is borne by the employers or by the employees independently, but joint financial responsibility and control have proved most successful. Provisions are made for indoor recreation, including rest rooms, recreation rooms, and clubhouses or clubrooms; and outdoor recreation, consisting of country clubs, summer camps, recreation parks, athletic fields, roof gardens, and outings and picnics for employees. The nature of the equipment and the methods of administration of recreational systems vary greatly with the locality and the size of the establishment. In communities where public provision for such activities is limited or does not exist (such as mining communities re-

moved from the larger centers of population), the industrial firm feels obligated to extend such opportunities.

In providing quiet rooms, attractively furnished and equipped with literature, employers find the tendency to temporary nervous breakdown and exhaustion is materially decreased. Recreation rooms where employees may enjoy themselves during the noon hour are also beneficial. Such rooms are equipped with a radio, victrola or piano, books, magazines, newspapers, music sheets, and games. Special rooms are sometimes set aside for those who wish to read and for those who prefer to play games or smoke. Many companies have for years provided clubhouses in which libraries and athletic equipment are installed. These are often jointly managed. In most cases dues are paid by members, the average fee being about \$3.50 a year. Membership is open to all employees or to those who have affiliated with the benefit association of the plant. Dramatics, social gatherings, lectures, musicales, and numerous indoor activities are carried on in these quarters.

Country clubs, summer camps, recreation parks, athletic fields, and outings have made possible the accomplishment of very constructive work among those employees who desire outdoor recreation at reasonable cost. Track meets, baseball games, and other contests between the various departments of the plant or between employees of several establishments have developed a desirable morale among the workers. Outdoor sports have not, however, been so popular as the indoor recreation because many workers are too tired to participate in them after a day's work. The latter facilities, therefore, are considered more important as a means of creating a spirit of loyalty and good will and brightening the lives of the workers.

TRAINING IN INDUSTRY. Until recently employers have been unable to rely upon outside agencies for trained employees. Although the remarkable progress made by the United States in furnishing technical education at public expense will increase the supply of trained workers, employers will continue to find it necessary to provide training facilities within their own plants. For the great mass of adult workers part-time instruction is inadequate. On account of bodily and mental fatigue, family obligations, and duties of citizenship, comparatively

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few industrial workers are able or willing to attend continuation classes in the evening. The consequence is that employers experience a dearth of skilled workmen and are endeavoring to build up a training system of their own that will furnish an adequate supply. Apprenticeship schools and educational courses are now provided in the labor programs of many corporations. Corporations have to meet the necessity for training those who are coming into industry for the first time, those who are already in the company's service but who must be trained for more responsible positions, and those who are coming into the plant from other establishments.

Generally speaking, there are three types of instruction in the educational plans adopted by modern corporations, namely, job instruction, instruction in all the elements of a given trade, and general education in elementary and basic branches of learning. Instruction for a particular job is frequently given in "vestibule schools," in which the worker receives introductory training apart from the workroom or else in connection with the job. In this preliminary training school there is an opportunity to observe and coach new employees. While the vestibule school has been used largely in the intensive training of workers for repetitive operations, it is also applied successfully in training specialists as operators of particular types of machines. Here the applicant selected for a given position is trained for a few days, or at most for a few weeks.

The benefits claimed for the vestibule school are that it prepares the unskilled workmen rapidly for better-paid jobs, provides an opportunity for observation of the moral qualities of selected applicants, and gives new and old employees a certain amount of choice in their work. Both office and factory vestibule schools have been introduced by many corporations. The course of instruction varies with the different plants, the period generally ranging from two to six days, during which time the workers are paid a certain amount per hour. The cost of training each employee has been estimated at \$52 for a month's training, but this outlay has been more than returned by increased efficiency and reduction of labor turnover.

Apprenticeship training is designed to give the worker complete mas-

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tery of a trade. This can be done either through the training received in the National Apprentice Training program sponsored by the federal government, or through apprenticeship schools which have been introduced by many corporations. "Modernized apprenticeships" is the term used to differentiate the new system that has sprung up within the last decade or so from the system that formerly prevailed. Employers are beginning to understand that, despite the shortcomings of the trade union apprenticeship requirements, all-round skilled workers were produced. In the rush for immediate profits employers have been little interested in prolonged periods of training but have embraced "get skilled quick" systems until workers skilled in every department of a trade are becoming rare.

In addition to specific job training and general apprenticeship for trade mastery, many corporations find it necessary, in the interest of health, safety, efficiency, and loyalty, to provide a certain amount of general cultural education for their employees. Adult unskilled laborers are the peculiar problem with regard to this type of education. The inability of foreigners to understand English has been a prominent cause of inefficiency and accident frequency. For this reason many corporations provide courses in English, civics, and naturalization. In two years after introducing compulsory classes in English for foreigners, the Ford Motor Company attributed a 54 per cent reduction in accidents to the fact that the men could read safety signs and regulations and understand orders and instructions. Many concerns have found that such instruction greatly improves the quality of the workmanship. The instruction is sometimes given on company time and is often carried on independently by the corporation, although in many instances it co-operates with public school authorities.

A great many firms provide library facilities for employees and their families. Technical books and magazines and a general list of reading matter is available. In some plants a branch of the public library is established, either in conjunction with the plant's own library or independently, the attendants being furnished by the company. An agency of great importance in Americanization and general educational work in industry is the plant magazine, usually issued monthly and contain-

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ing personal items, editorials, articles on health and safety, cartoons, and news of athletics.

In addition to training wage earners, many companies have found it necessary to provide special training for executives and foremen. Intelligent leadership is unquestionably the foundation of harmonious industrial relations and efficiency. Courses for executives include such subjects as team work, handling of men, plant organization, machinery and materials, production records, and general problems of industrial management. Emphasis is placed on the co-ordination of the psychological with the material forces in production.

The separate training department has been found indispensable. It is operated as a modern factory or office, with machinery and equipment of the best type. This department can be used for the training of new unskilled help unfamiliar with the elementary branches of the work to which they are assigned, for the up-grading of workers already employed, for the bringing up to standard of those workers who have poor production records, and for the testing of applicants who claim to have had experience in the jobs for which they have applied. It can also be used as a laboratory where new tools and methods of operation are tested and studied or where whole processes are improved. Efficient control and complete supervision are possible in the separate training department, and this means more skilled employees. Care is exercised to make instruction the primary purpose and to prevent speed and quantity production from becoming paramount.

Many systems of training have failed because they have not been organized and operated with due regard for the peculiar conditions of particular establishments. Successful plans are those which are adapted to the factory; have definite methods of recruiting learners, such as establishing contacts with high schools and other institutions of learning; outline a systematic course of training; provide adequate supervision and a definite system of transfer upon completion of training, and endeavor to follow the trained worker's progress in the factory.

SOCIAL BETTERMENT PLANS. Recent years have witnessed an unprecedented growth of activities in industry, both in Europe and in the

United States, designed to improve the economic and social status of the workers. Such activities include disability funds, pensions, group life insurance, credit systems, and plans that encourage thrift. The mutual benefit association has been introduced widely in American industries, although the movement is comparatively younger here than in other countries. The object of such an association is "to foster a fraternal spirit among its membership, to afford relief to its members for disability through sickness or accident, and to provide benefits in case of death."

These associations are usually managed jointly by employers and employees. The initiation fee varies, but it is ordinarily one dollar. In addition, a physical examination is required. Sometimes membership is required of all employees, but generally it is optional. The period of membership required before participants are permitted to share in benefits varies greatly; in some cases benefits are paid immediately, in others, after a period ranging from five days to six months. The membership period is usually longer for death benefits than for sickness or accident benefits. To prevent malingering, sickness benefits are not paid for the first week, unless the illness extends to three or four weeks or longer. The waiting period for accidents is less, because they are ascertained immediately. Disability benefits vary according to the length of service. Membership ceases when the worker leaves the service of the company.

Where workers are not earning enough to insure themselves adequately, the group insurance scheme, under which employees obtain life insurance in modest amounts, has been introduced by many firms. Such a plan appeals to a large number of workers because of the feeling of security which results therefrom. Insurance companies have found it possible to give a blanket policy at reduced rates to industrial firms because the expense of physical examination is spared them and the risk is not great where favorable factory conditions exist. Most companies pay all of such insurance premiums, although provisions vary. If the worker leaves the company's employ he is often given an opportunity to continue his insurance at the regular rate specified by

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the insurance company. Insurance benefits vary, but it is desirable that they be the equivalent of one year's salary or wages up to a certain maximum, and that they be paid in installments.

Other betterment schemes are those devised to encourage thrift and economy among the employees. They include savings and loan plans, stock subscription on favorable terms, building funds, co-operative buying, discounts on purchases, legal aid and advice with regard to investments or expenditures, and profit sharing. Employers praise these various economic betterment activities, claiming that they develop a spirit of co-operation, steadiness, thrift, and responsibility.

The extension of betterment activities to include the families of employees is another phase of the welfare work of some companies. Moreover, it is an extremely delicate phase, since workers resent any semblance of charity or philanthropy and seeming interference with personal affairs. Consequently, this work is usually delegated to a third agency—a visiting nurse, a community center, settlement house, or welfare worker, apparently working independently but actually in the company's service. A visiting nurse or welfare worker visits the homes of the employees, caring for the sick, giving instruction in the care of children, and advising housewives on family budgets, food preparation, and dressmaking.

Notable work along this line has been done by steel companies, mining companies, southern cotton mills, and other concerns that employ thousands of workers and often face the necessity of providing homes, parks, playgrounds, churches, theaters, schools, libraries, and general supervision of living conditions. This work is accepted as an obligation growing out of industrial operations. Where company homes are rented, strict supervision is maintained so that bath tubs shall not be used for coal bins, fences for firewood, and rooms for lodgers. Other aspects of this work include the collection and disposal of garbage, bacteriological analysis of drinking water, and the provision of a supply of pure milk. These activities have yielded notable benefits especially in backward communities.

ADMINISTRATION. The administration of personnel relations varies

greatly with the different establishments that have taken definite steps in this direction. The type of organization provided to handle personnel problems will necessarily have to be sufficiently elastic to meet the peculiar problems of each plant. It is fundamentally important that the responsibility for personnel administration be centralized, but that the execution of personnel policies be decentralized. The great need is for a definite agency in industry that will analyze impartially and administer sympathetically the relations of employer and employees. Where the establishment is small, there is hardly need for a separate department. In such cases personnel duties may be performed by the manager or superintendent. Even in larger enterprises it has been found wise for the vice-president or some other major executive to supervise personnel work, but in exceedingly large establishments a separate department, functioning in close co-operation with department heads, becomes necessary.

A welfare department is usually established first to assume charge of betterment activities, but this develops into a larger unit known as the employment department, having control over labor supply, recruiting, selecting, placing, transferring, and promoting of employees. The welfare department becomes a division of this larger unit and supervises mutual aid, sick benefits, loans, home visiting, and social and other activities. Gradually there evolves a more specialized and centralized organization known as the personnel department, the subdivisions of which, together with their particular functions, have already been indicated.

A number of conditions are necessary for successful personnel administration. There must be a definite personnel department with major administrative powers, placed on a parity with other departments of the plant. In charge of this department must be a capable personnel manager possessing a strong and pleasing personality and general industrial, executive, and shop experience, and familiar with organized social and industrial movements. There should be co-ordination of the work of the personnel department with the activities of other departments, such as production, finance, and sales departments. Wherever

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possible there should be joint administration by representatives of management and employees of those affairs touching the interests of both.

Experience with personnel administration and various improvement plans in industry indicates many benefits. Thrift has been promoted among employees, efficiency increased, labor turnover greatly reduced, and living conditions improved. Many employers state, moreover, that production costs have diminished, waste in materials, time, and labor has been reduced to a minimum, and incentives to output and promotion have been applied successfully. Contentment, good will, loyalty, and a sense of partnership on the part of the workers are also claimed among the results.

Industrial unrest and friction have not disappeared from the plants where these schemes have been inaugurated, and in many cases the workers have resented these evidences of paternalism, but such plans have unquestionably led to greater harmony between employers and employees. Industrial workers, however, will probably continue to find more permanent safeguards for their interests in independent and effective collective bargaining through their own organizations than in plans that are initiated and terminated arbitrarily by the employer. Such schemes will probably become a permanent phase of scientific management and will succeed if the provision is made for truly democratic control by management and workers.

Questions for Class Discussion

1. What is scientific management? How does modern scientific management differ from the Taylor System?
2. Can scientific management become an effective method of peaceful industrial relations? Why is it that labor so often opposes the application of the principles of scientific management?
3. Distinguish carefully between the fields of scientific management and personnel management. Is scientific management a part of the field of personnel management? Is personnel management a part of scientific management?
4. Describe the functioning of the chief divisions of the personnel department.

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ment of some progressive private American enterprise. Does the field apply to public enterprise as well as to private enterprise?

5. Are the labor problems resulting from industrial relations in the public service similar to those experienced in private industry? In what ways are the personnel problems resulting from employer-employee relations in the public service dissimilar to those encountered in private industry?

6. What present-day labor problems have resulted from the development of job analysis and specification? What has been the net effect of these scientific procedures upon the wages of labor? Upon standards of living? Upon industrial relations?

7. By means of an illustration show how a simple misunderstanding between a worker and his "boss" can develop into a serious local or even national industrial struggle. Might such difficulties have been averted through the proper functioning of a personnel department? When, or under what conditions, might such a conflict have developed anyway?

8. Is the giving of general physical examinations periodically to old employees as well as to new employees a sound personnel procedure from the employer's viewpoint? How does labor view this practice? What are its chief dangers?

9. Develop the theory underlying the contention that the employer, in the final analysis, should be made responsible for the wage-earner's losses sustained through industrial accidents.

10. How do you account for the retarded development of the "safety-first" movement in America? What significant problems has this retardation brought to the typical worker?

11. Why are the employers usually reluctant to provide recreational opportunities for their employees? Is the provision of housing facilities looked upon with favor by employees? What common labor problems often result from an overdevelopment of these activities on the part of the employer?

12. During the past few years there has taken place a revival of interest in apprenticeship and other training programs throughout the country. Why has this been true, and what do you think will be the future of such programs?

13. Formulate what you consider to be a wise and practical industrial relations policy for the management of a growing manufacturing company to follow.

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Chapter 24

SPECIAL INCENTIVE AND BENEFIT PLANS

¶ METHODS OF INDUSTRIAL REMUNERATION. Chief among the causes of industrial unrest, it will be remembered, is the relatively low income of the working classes. Wages are of primary importance to the worker because of their necessary and intimate relation to the standard of living of the worker and his family. They are important to the employer because of their influence in promoting good will, co-operation, and efficiency in production. The employer knows that if wages are adequate, or nearly so, and if the time and method of their payment are satisfactory, much progress will have been made toward the elimination of the fundamental problems of labor and the effective maintenance of productive operations.

Numerous methods of industrial remuneration have been devised by management in its attempt to gain these peaceful relations, among the most important of which are the time wage, piece wage, task wage, the so-called "annual" wage, sliding scale progressive wage, bonus, the share in profits, gain sharing, and various forms of labor copartnership.

The method most generally applied for many years has been the *time wage*, under which payment is made by the hour, week, or month. But with the advent of scientific and personnel management, time wages have been giving way to special forms of financial incentive systems. Employers object to the time basis largely because of the difficulty of quickening the pace of the workers. It is claimed that the efficient worker adjusts his pace to the inefficient fellow-worker, since no cognizance is taken of the individual differences in ability and productivity. This method is acceptable in large industries such as the auto-

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mobile industry in which operations can be highly standardized and controlled by the speed of assembly lines.

Organized labor favors the time wage because it prevents pace making and does not endanger standard wage rates as set in trade agreements. Under the *piece-wage* system the basis of compensation is the unit of output. Piece work may be organized for either individuals or groups. Under the former, employees work independently, while under the latter the employer pays a group of workers a certain sum for a given quantity of work, the wage being distributed among the workers as they see fit. Many employers are inclined to favor the piece-rate system because it stimulates production, but such a method tends to sacrifice quality for quantity, especially where close supervision is not possible. Workers usually object to the method because it tends to speed up production and often results in reduction of the rate per piece.

The remaining methods are really modifications of the two just described. The *task wage* requires the worker to complete a certain amount of output within a stated time or suffer reduction in wages. On the other hand, if more than the required amount of output is realized, the workman receives no extra compensation. The task wage may be individual or collective. Overexertion and fatigue have resulted from this system. The *progressive wage*, known also as the *premium plan*, is a method under which employees receive, in addition to their regular time or piece wage, a premium or bonus calculated either on the basis of output above a certain minimum or according to economies in the use of materials. The premium may be simple or progressive, that is, it may be a fixed sum above a defined standard of output, or it may vary according to the ability of the workman. This system has been opposed by the workers on account of its tendency to introduce inequality, to result in overwork, and to increase unemployment. It is often referred to as *gain sharing*, of which there are numerous variations.¹

The *sliding scale* is a system under which wages are made to vary

1. See the authors' discussion of wage and financial incentive systems in *The Management of Labor Relations*, chaps. 18 and 19.

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with the price of the product. It is often applied in industries where there are frequent changes in the price of the produce, such as coal and metal mining. In periods of prosperity wages rise automatically with prices, while in periods of depression the wage level drops. Several objections have been raised against this plan. It has been difficult to determine price and wage standards, that is, the price to be considered normal and the proper wage adjustment. Many controversies arise over the determination of the percentage of increase or decrease of wages that should accompany the rise or fall in prices. Unless a minimum wage is established, the income of the workers in periods of depression may be reduced to a point that menaces their health and progress. In some cases the minimum wage level has been used to prevent this deterioration. Organizations such as the United States Steel Corporation and the General Electric Company have recently instituted variations in sliding scale plans in this country, although this type of wage payment has gained its widest popularity in England.

There are various *bonus schemes* under which, in a prosperous year, a certain lump sum is set aside for distribution among employees. These plans include the "quantity" bonus based on amount of output above a certain standard, the "quality" bonus determined by the character of work performed, bonuses for such things as regularity of attendance, length of service, co-operation, and good will, and the traditional Christmas bonus which usually consists of a percentage of the regular wage or salary, graded according to length of service. There is also what is known as "product sharing," often found in fishing and agricultural pursuits, under which the output is shared among employer and workers in accordance with a predetermined agreement.

PRINCIPLE OF WAGE DIFFERENTIALS. The application of both financial incentive systems discussed above and, more recently, the enactment of the Fair Labor Standards Act establishing minimum hourly wages in certain industries have presented employers with a new wage problem. It is the problem of how to keep all the workers satisfied when basic wage changes are brought about, in the first instance, through the effective application of financial incentives to some and not to others,

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or, in the second instance, through the application of the federal wage-hour law to those employees who previously have labored for wages below the minimum standards established by the law.

When, through the successful operation of financial incentive systems, the employer makes it possible for a certain group of workers to increase individual earnings of the group, the same opportunities should be offered to all other groups where such systems are applicable if the workers are to be kept satisfied and industrial unrest is to be kept at a minimum. Likewise, when the lowest paid group of employees receives automatic wage increases because of the employer's compliance with the minimum wage provisions of the wage-hour law, a systematic wage adjustment for those receiving wages above the minimum standards should also take place if the wage-differential structure which has developed under competitive enterprise is to be preserved.

This is known as the *principle of wage differentials*. It may be stated as follows: *Differentials in wage levels between different groups of employees within the same shop or office (where the workers are able to know the wage levels of their fellow-workers) must be maintained.*

The theory underlying the wage-differential principle is that before the forces necessitating adjustment occur, the wages within any group of workers tend to seek levels dependent upon the relative value of the productivity of each group of workers. A change in the rate of pay of any one group tends to make necessary a change in all groups, and the management's failure to do this creates ill will and destroys the morale of the organization, which in turn lessens output and increases industrial unrest.

The reasons for these results are quite obvious. Differentials in wage rates existing before these sudden changes take place have become generally acceptable to the employee groups. Wage rates in a factory or office are interrelated and interdependent. Any shift in this relation, even though it be only a slight one benefiting the lowest paid workers, causes a lack of balance in wage differentials, thereby affecting every individual within the organization. Balance can be restored

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only by extending relatively equal adjustments through each group of employees up to and including the executives of the company. "A foreman getting \$40 a week, where the workers under his charge are getting \$25 a week, will not be content to continue at \$40 when his workers' wage is increased to \$30."² The president of a corporation receiving a salary of \$25,000 a year will not expect as much as a 10 per cent increase in his own salary simply because the unskilled laborers in the shop are getting thirty-three cents an hour under the wage-hour law this year when they were receiving only thirty cents last year. But the supervisor of these workers may come to expect an adjustment in his earnings—not a 10 per cent increase, but perhaps one of 5 or 6 per cent. Thus, adjustments made above the minimum wage levels are derivative, at least in theory, being slowly reduced in size as they reach into the higher wage groups of a company.

NATURE, PURPOSES, AND METHODS OF PROFIT SHARING. Profit sharing is a method of industrial remuneration under which an employer voluntarily agrees to give his employees a definite share in the net profits of the enterprise, in addition to their regular wages. As a form of financial incentive in industry, profit sharing dates back to 1829 in England, 1842 in France, and 1870 in the United States. According to resolutions passed by the International Congress on Profit Sharing, held in Paris in 1889, genuine profit sharing has three fundamental elements. The amount to be distributed among participants depends principally on earnings, the proportion of earnings to be distributed is definitely determined in advance, and the benefits of the plan are extended to at least one-third of the ordinary wage-earning or salary-earning employees.

In introducing profit-sharing schemes, employers have one or several purposes in mind. Promotion of industrial efficiency and stabilization of the working force are prominent reasons. Where employment relations have been strained, the chief purpose of such plans is the elimination of unrest and strikes. Not infrequently the destruction of unionism has been the objective. There are many other reasons for

2. From an undated statement concerning this principle issued by the legal counsel of the National Work-Shirt Manufacturers' Association.

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sharing profits, such as the promotion of thrift and saving, the elimination of waste in the use of materials and equipment, the improvement of administration and supervision, publicity, and the realization of industrial justice.

Profit sharing may take one of several forms. It may consist of cash payments made at the end of specified periods; deferred participation, in which case the profits that are divided are placed in a savings account, provident fund, or annuity fund; or payment in shares of stock. Cash bonus schemes based upon the company's earnings are preponderant in the United States and Great Britain, although deferred participation and stock distribution have gained favor in these countries. Deferred sharing has been prominent in France.

Cash payments have constituted the most successful method of sharing profits, but their disadvantage lies in the fact that the employer has no assurance of the wise use of the supplementary income. Workers prefer this method because the bonus is declared at frequent intervals. Cash bonus schemes have comprised about two-thirds of the plans introduced in Great Britain and a large percentage of those in the United States, although in this country they appear to have been less satisfactory than stock distribution.

In some establishments the bonus is placed in an account for the employee, from which he may draw at any time on short notice. More often, however, the amount is placed to the worker's credit in a provident or superannuation fund, in which case it is not ordinarily withdrawable while he remains in the service of the firm, or it is retained partly or wholly for investment in the capital of the enterprise and bears interest varying from 3 to 6 per cent. These accumulations are returnable to the employee upon reaching a certain age, or after a stated period of service, or in the case of serious emergency. Usually workers who leave the employ of the company, go out on strike, or are dishonorably discharged do not participate in the benefits, although in some plans deserving employees who leave on account of ill-health or other good reasons receive a part of the savings. This method has not been generally successful, especially in the United States. Because of the more or less indefinite postponement of participation, these schemes

have not provided an incentive to good will and efficiency. The workers do not seem to care for the extended waiting period.

In some instances shares of stock are issued to employees without payment, in recognition of superior service for a term of two to five years. A number of plans provide for the issue of stock to employees at a price below the market rate, payments to be made in installments. Under some English schemes employees holding shares are given a cumulative preferred dividend, and in others the workers receive dividends without holding regular shares, certificates being given them which are not marketable as are the shares held by ordinary investors. Where shares are issued to employees free or on favorable terms, there is ordinarily a maximum limit to the number set aside for this purpose. In England this maximum ranges from \$250 to \$5,000 for each person. In the United States the number of shares allowed each worker varies greatly with the different plans, but earning capacity is the usual basis. The transfer of such shares, except to fellow-employees, is usually prohibited, but the company repurchases them in the event of the owner's death or separation from service. Shares purchased by employees on special terms do not always carry voting rights.

Experience indicates that only a small number of the workers avail themselves of the opportunity to purchase stock. In Great Britain the number ranges from 2 to 6 per cent of the eligible employees, and in the United States it is less than 30 per cent. Cash bonuses on the other hand, reach an average of 75 per cent of the employees of the companies having such plans. In both countries representation on boards of directors frequently is granted when employees hold considerable stock. The amount distributed among employees consists of a certain percentage of the net profits for the preceding year, although in some cases the apportionment is made quarterly or semiannually. Ordinarily the amount apportioned to each employee is in proportion to his annual earnings, overtime and piecework being excluded. Allowance is sometimes made for time lost through illness, and a reduced bonus is paid employees with a service record below a certain standard and under a certain age. In England the distribution has ranged from 5 to 50 per cent of net profits, while in the United States the amount has

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averaged about 12 per cent of annual wages. To produce the best results, at least 6 per cent additional income has been found necessary.

CONDITIONS OF PARTICIPATION. The most general qualification for participation in profit-sharing plans is a specified period of service varying from four weeks to five years. Usually the period is six months or a year. Occasionally employees who have been with the company less than the minimum period of service receive one-half of the regular bonus or a specified sum, which is usually quite small. Many plans exclude certain classes of employees, such as those below a specified age, those working wholly or partly on commission, and those earning more than a specified wage or salary for the period. Sometimes members of trade unions have been denied participation, although now membership in a labor organization is no barrier. In some English schemes trade union membership is compulsory. The provision is often made that employees shall lose their right to a share in profits if found guilty of unsatisfactory conduct, waste of materials, neglect of machinery or equipment, irregularity in employment or absence without sufficient cause, inefficiency, or breach of discipline.

PROFIT SHARING IN TWO MANUFACTURING COMPANIES. Two different bases for profit sharing are illustrated in the current programs carried on by two American manufacturers, the Selby Shoe Company, and the Westinghouse Electric and Manufacturing Company.³ The Selby plan was adopted by agreement between the management and the United Shoe Workers of America, now a C.I.O. affiliate, and provides that each of the company's 2,500 workers shall benefit in accordance with his individual wages and the company's earnings. He receives his share of the benefits at the close of each fiscal year. The major characteristics of the plan, after fair wages and a fair profit have been allowed, provide for:

3. "Profit Sharing in Two Manufacturing Companies," *Monthly Labor Review*, vol. 47, September, 1938, pp. 588-90. Also see *Ibid.*, vol. 46, May, 1938, p. 1177, for a description of the General Electric Company's profit-sharing plan. One of the oldest and most successful forms in the United States is the Joslyn Profit Sharing Plan, which is ably described by its founder Marcellus L. Joslyn, President of the Joslyn and Supply Company of Chicago in a booklet entitled *Profit Sharing under the Joslyn Plan* (1939).

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1. The setting aside for each employee on the general pay roll who has been continuously employed for the past year a sum equal to one week's wages.

2. The setting aside for payment of dividends or addition to surplus of an amount equal to 6 per cent of the book value of the company's capital stock.

3. Adding to the employee's fund a second amount equal to 25 per cent of the earnings left after the amount for dividends or surplus has been deducted.

4. The equal dividing of the sums of items 1 and 3 among all qualifying employees on the last Friday in June.

The employee must have been on the pay roll of the company for a full year preceding participation in the program, and he must not have been absent for more than thirty days during any one time except because of injuries received while at work. The profit-sharing provisions of the Selby plan are obviously dependent upon earnings, but during the past ten years of operation at no time have the profits distributed among employees fallen below \$40,000 for the year, nor exceeded \$110,000.

Wage and salary rates of the Westinghouse company are fixed in line with rates paid throughout the community for similar types of work. The basis of the profit-sharing plan of the company is that the company's net income for any consecutive three months determines the pay each employee is to receive for the next month. Often the monthly net income over a three-month period averages \$600,000; then the employees receive their base pay the following month. Whenever this average exceeds \$600,000, each \$60,000 of the increase (above \$600,000) results in a 1 per cent increase in salary for the next succeeding month, so long as the average base pay roll does not exceed \$5,000,000 for the same three-month period. If it does exceed this amount then the amount of the average net income (in excess of \$600,000) which will result in a 1 per cent increase of base wage or salary for the next succeeding month is the figure which bears the same proportion to \$60,000 that the average base pay roll of the company for the preceding three months bears to \$5,000,000. When the net income of the base period is less than \$600,000, "the portion of each salaried employee's base-rate salary over \$125 per month is subjected to a 1 per cent reduc-

tion for each unit of \$60,000 that the net income is below the \$600,000 average.”⁴ This provision does not apply to hourly rated employees. For the first two years following the inception of this plan in May, 1936, the profits shared by employees have ranged from a low of 1 per cent in August, 1938, to a high of 16 per cent for the same month in 1937.

LOSS SHARING. There are few instances in the United States in which employees who participate in profits also share in losses through the creation of a sinking fund to cover deficits in poor years. Some companies that have a profit-sharing and copartnership scheme set aside 15 per cent of net profits as a sinking fund for losses. Others provide protection for stockholders, and in this way the workers' share in profits is diminished so that they participate indirectly in losses.

The most noteworthy example of loss sharing, however, has been the plan of the A. W. Burritt Company, lumber and timber dealers, Bridgeport, Connecticut, which was in force for over twenty years prior to 1933. This company employs several hundred workers, of whom a considerable number have been included in the profit-and-loss-sharing contract. The plan was really limited to skilled workers and was optional, but those who signed the agreement assumed responsibility for losses. In order to build up a reserve against emergencies, 10 per cent of the wages of participating employees was deducted from the weekly pay envelope. If losses were sustained, the workers' proportionate share was deducted from the reserve fund at the end of the year. If no losses occurred, the reserve accumulation from wages, together with the share of profits, was paid to the workers. Invested capital was apportioned 6 per cent interest and all expenses, depreciation of buildings, tools and machinery, and bad debts were taken care of before employees were allowed to participate in profits. A worker's share in losses was in no case to exceed the amount reserved from his wages for that purpose. Never was a loss incurred during the life of the plan, and participating employees received an average of 6 per cent on their annual earnings. Greater co-operation and efficiency are named among the results

4. *Ibid.*, vol. 47, p. 589.

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of this scheme. Poor business conditions during the depression were responsible for its abandonment.

Those who favor loss sharing by employees defend their position by a number of contentions. They maintain that to pay employees a share of the net profits of industry without imposing upon them a corresponding responsibility for losses is inequitable, because it confers rights and privileges without obligations. They declare, moreover, that profit-sharing schemes will prove more effective and will lead to greater care in workmanship and in the use of materials and equipment, if employees are called upon to participate in losses.

Advocates of profit sharing and other forms of labor copartnership, however, do not usually endorse sharing of losses by employees. There are several reasons why the workers should not be called upon to share in losses. Profit sharing is designed primarily for the division of the differential and not the division of risks. Workers suffer sufficiently in being compelled to forego the anticipated share in profits. Loss sharing is very likely to result in injustice, since the losses incurred may be caused not by the lack of effort or efficiency on the part of the workers but by the inefficient methods of administration and management, which are beyond the workers' control. Great discontent arises when the workers, after putting forth every effort, find themselves called upon to share deficits.

It is unfair to require workers to share losses, since they are constantly forced to accept as a normal burden of industry curtailment of working time, discharge, and other conditions that result in unemployment. Economic insecurity in modern industry counterbalances the lack of the assumption of a share of general losses by workers. They are not able financially to participate in the deficits of industry and business. Because of a lack of effective organization and other factors, the income of the average wage earner is insufficient to provide a decent standard of living, much less a financial reserve for the sharing of losses. There is very little reason to believe that loss sharing will be widely extended under industry as organized and administered at present. Such a responsibility might be practicable and just if the workers

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are real industrial partners with management and capital, but this ideal partnership is apparently some distance from realization.

DEFICIENCIES OF PROFIT SHARING. A survey of profit sharing in many countries indicates that a high percentage of the plans have been abandoned. In the United States and Great Britain abandonments have been caused by the inability of the concerns to earn sufficient profits or by some other condition independent of the plans themselves, rather than to fundamental deficiencies inherent in the system of profit sharing. Numerous specific causes have operated, including altered circumstances, such as death of the employer or change in ownership and management; diminished profits, brought about chiefly by business depression and hard times; liquidation or dissolution resulting from inefficient management or disagreement among partners concerning policies of administration; and dissatisfaction with the results of the scheme. The majority of profit-sharing plans have been discontinued because the employers were convinced that the results did not compensate for the financial outlay involved or because the employees became dissatisfied and antagonistic. Recent investigations have indicated that in more than half of the schemes abandoned the prevailing cause was apathy, dissatisfaction, or antagonism on the part of the workers.

Employers who have discontinued their plans have voiced a number of criticisms. As an incentive to efficiency, the schemes reach only a minority of the employees. This incentive diminishes as the novelty wears off. Employees look upon the bonus as a matter of course when paid, while in poor years when no profits are distributed great discontent results.

The failure of profit sharing can be attributed in no small measure to the constant opposition of organized labor, which with but few exceptions has contended that the prevailing market rate of wages is not paid where cash bonuses are distributed. Labor would prefer to have a fixed rate of wages that can be relied upon. It is urged that such schemes as profit sharing are intended to wean away employees from their unions, in order that they may not be in a position to bargain

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advantageously for higher wages, a shorter workday, and improved conditions. It is claimed, moreover, that these plans are used for speeding up the workers, an increase in pay being accompanied by "intensified supervision, irritating interference, and humiliating patriarchal domination."

Profit sharing as developed in sporadic examples, has had no effect in the elevation of the whole mass of wage earners. It has not been a part of the world-wide labor movement . . . It has in many ways narrowed the workman's social vision. He has seen no further than his own workshop; he has concentrated his mind on his own well-being. The effects of the voluntary inclusive association of all workers of his occupation have been beyond his mental horizon.⁵

BENEFITS OF PROFIT SHARING. Employers who have been successful in the application of profit sharing contend that it has reduced labor turnover, encouraged regularity of service, diminished the cost of production, effected economies in the use of materials, resulted in greater care of machinery, increased efficiency, led to industrial peace, stimulated home ownership and thrift, and, in general, promoted co-operation, loyalty, and industrial good will. Success has depended very largely upon adherence to certain fundamental principles. There have been recognition and payment of the prevailing rate of wages. The percentage of profits to be distributed has been designated in advance. Provision has been made for the representation of employees on the administrative committee and an opportunity has been given them to ascertain the earnings of the company. Profits have been sufficiently high to stimulate co-operation and loyalty, and special care has been exercised in adapting the plans to the particular needs of the establishment. Departure from these principles has invariably spelled failure. The success of such plans necessarily depends upon the person who administers them. Human, personal relations, mutual confidences, close attention to individual worth, honest remuneration, a clean, attractive, sanitary shop, and a square deal without charity are important requirements.

5. Statement of J. W. Sullivan, general lecturer for the A. F. of L. (undated).

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Profit sharing cannot be considered a panacea for the ills of industrial society; it by no means constitutes a practical substitution for the wage system, nor does it solve the wage problem. As a stimulus to industrial efficiency, profit sharing has been less effective than the piece-rate wage and other forms of progressive wage payment. As usually applied, the schemes are paternalistic. No plan originated and administered by the employer alone can solve our industrial problems. This difficulty will be removed as true labor copartnership is developed. The problem of industrial unrest has not disappeared from plants that share profits with their workers; indeed, in many cases these plans have accentuated strife. Many conditions necessarily enter into the success of profit sharing as a temporary expedient in helping to solve problems of industrial relations. Among these factors are the stability and profitability of the enterprise; the intelligence and types of workers employed, whether skilled or unskilled, conservative or radical; the presence or absence of unions and the attitude of organized workers; and, finally, the willingness of employers to introduce democratic methods of management. Thus far profit sharing has achieved its greatest success in the smaller enterprises.

THE MOVEMENT FOR EMPLOYEE STOCK OWNERSHIP. For a number of years there has been in the United States a definite movement among employers to encourage stock ownership by employees. This development is really an offshoot of the antecedent profit-sharing movement, and the difference between the two is in many respects imperceptible. Strictly speaking, however, profit sharing is designed to give the employee a share in the earnings of the corporation without requiring him to invest any money in its securities, while employee stock ownership involves the investment of funds by the worker, the assumption of risks, and a share in whatever gains or losses may accrue.

Although the idea of selling stock to employees goes back to 1893, when the Illinois Central Railroad granted the petition of its officers and employees for the privilege of purchasing its stock on easy terms, the movement did not gain prominence until 1920 when employee stock ownership became the fashion. A survey of the movement published in 1928 showed that a million wage earners or salaried employees

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in the United States owned or had subscribed for over a billion dollars of securities in their employing corporations.⁶

But the Great Depression brought on many conditions which have caused a significant decline in this movement, and it is questionable whether employers will ever return in large numbers to this method of promoting employee relations. A recent survey covering sixty-four companies employing over 300,000 workers revealed that while approximately a fourth of the companies maintained stock-purchase plans for workers in 1929, by the end of 1936 only 1 per cent of the companies was still maintaining such plans, and only 12 per cent of the employees were affected.⁷ It is, however, significant to note that in spite of the influence of the depression, a number of employers have maintained employee stock-ownership plans on a limited and modified scale. Out of some ten million individual stockholders in the country in 1933, it is estimated that over a million were wage earners participating in some form of stock ownership.⁸

Viewed broadly, the movement for employee stock ownership has considerable significance for at least two reasons, namely, its potential influence on the improvement of industrial relations, and its possible effect upon the distribution of industrial ownership. There are many who contend that such tendencies as employee stock ownership, increasing deposits in savings institutions, unprecedented purchase of life insurance, and the organization of labor banks manifest a strengthening of the foundations of capitalism in America and the development of a welcome industrial partnership between capital and labor. On this point, however, there is considerable difference of opinion.

WHY STOCK-OWNERSHIP PLANS ARE INAUGURATED. The decision of corporations to share ownership with their employees has a complex motivation. Of considerable importance has been the desire of industrial managers to encourage saving and thrift and so to assist employees in acquiring an independent source of income during their most pro-

6. National Industrial Conference Board, *Employee Stock Purchase Plans in the United States* (New York, 1928), p. 2. Cf. R. F. Foerster and Else H. Dietel, *Employee Stock Ownership in the United States*, pp. 8, 62.

7. *Factory Management and Maintenance*, vol. 94, December, 1936, p. 39.

8. *Ibid.*, vol. 94, August, 1936, pp. 32-3.

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ductive years. Such a motive is, of course, not altogether unselfish. Financial independence would diminish the necessity for noncontributory pensions financed from the funds of corporations or the state, or at least it would lessen the amount that these institutions would need to contribute toward old-age annuities. The distress incident to other exigencies in the wage earner's life, such as illness, disability, and unemployment, would also be partially relieved from this independent source of income.

Many employers are convinced that employee stock-ownership plans furnish an incentive to better employment relations and create a deeper interest in the job and the company. This tends to result in a greater measure of good will and co-operation, which in turn make for greater output and more economical use of materials, machines, and equipment. Some plans have been born of a genuine desire to share industrial ownership with employees, to compensate them for faithful service, and to improve their economic and social status. In a number of instances, especially in the case of public utility corporations, the principal reasons for employee stock-ownership plans have been the desire to create a new source of capital and the hope of building up political defenses against the movements for more stringent regulation and public ownership. A few companies have sold stock to their employees in order to provide a safe form of investment and to safeguard them against unwise placement of their funds. In exceptional cases the stock-ownership plan has been adopted as a means of giving employees representation on the directorate of the corporation.

In general, industry has not sold its stock to employees in order to raise capital, but rather for the purpose of developing thrift, protecting employees against unwise investments due to inexperience, and in the hope of injecting a more personal element into the employment relation, which in large modern corporations is likely to be distinctly lacking.

NATURE AND PROVISIONS OF THE PLANS. Considerable diversity characterizes the methods of procedure adopted in encouraging employee stock ownership. Generally speaking, one of three basic principles may be adopted, namely, the complete purchase of stock by the employee

at market value, at par, or at a discount; a joint purchase plan calling for contributions by the employee and the company; and the gratis distribution of stock, in which case the corporation retains possession of the securities and the employee receives the dividends. Where shares of stock are distributed without charge to employees or the purchase is on unusually favorable terms, the stock may carry no voting privileges, and participation depends upon good standing, length of service, type of position held, or some similar conditions. In exceptional cases employee stockholders have been given special representation on the board of directors.

There is no uniformity of method followed in executing these general principles, but all plans have some features in common. The shares of stock are issued by the company at more or less irregular intervals depending upon the character, size, and success of the enterprise. Usually all employees are included, although officers and directors are sometimes excluded or participation is confined to executives. Employees receiving a wage or salary above \$2,000 a year are excluded under some plans. The total amount of stock that can be subscribed for is limited to a fixed maximum percentage of the employee's wage or salary and is payable in monthly installments. Even in the absence of specific limitations, employees are discouraged from subscribing for more stock than they can pay for conveniently. Length of service sometimes determines the amount of the subscription.

Stock is usually sold to employees at the market price, but sometimes it is disposed of at par or at book value. Employees are often aided in purchasing stock either by the company's contribution to the principal or by a bonus, the payment of which is contingent upon continued service with the company and the retention of the stock for a period of years. Bonuses range from 50 cents to \$5.00 a share annually, the payments usually continuing for five years. Sums accumulated through bonus forfeitures caused by separation from service or failure to hold stock for the required period bear from 3 to 6 per cent interest; these are distributed among the remaining employees who have complied with the conditions of participation.

Most plans provide for the purchase of stock on the installment basis

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through monthly deductions from wages, although in some cases it may be purchased outright for cash. The installments are a specified amount or a percentage of wages, the period allowed for completion of payment ranging from one to five years. It is the common practice to specify maximum deductions of 10 to 25 per cent of the monthly wage. When thrift is the major purpose of the plan the percentage deductions are much lower.

Dividends declared on stock subscribed for by employees are usually credited to their account, the credits being offset somewhat by interest charges on deferred payments. There is usually a guarantee that the installments plus accrued dividends will liquidate the employee's obligations within a specified period. Stock is held by the company until completion of payments, at which time it is surrendered to the purchaser.

Unforeseen emergencies may prevent an employee from making his payments regularly, consequently the issuing companies have provided that payments may be suspended during illness, disability, temporary unemployment, or leave of absence. Although the period of suspension is usually limited, an extension of time is provided in case of necessity. Delinquent payments may be made up by the employee upon his return to regular employment, or the company may extend the time allowed for completion of payments. Most companies allow cancellation of subscriptions if the employee so desires. Full cancellation is ordinarily permitted, but some corporations allow only partial cancellation. The refund usually consists of the employee's own contributions with interest. The worker thus forfeits his share of accumulated unpaid bonuses, but interest charges on deferred payments are cancelled.

The company frequently retains the right to terminate the stock-purchasing agreement with an employee for such reasons as default of payments, failure to make a certain number of payments, failure to report for work when ordered to do so after a temporary layoff, voluntary or involuntary separation from the service, disability, retirement, or death. Cancellation is also made by the company for violation of the agreement, such as the failure to retain two-thirds of the shares purchased under a previous plan or an attempt to sell or transfer rights

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under the present plan. Adjustments under these cancellations are the same as those provided for in cases of cancellation by the employee.

Employees who retire on a pension are usually granted the privilege of completing their payments on stock subscriptions but are not eligible for additional subscriptions. In many cases the stock-purchase agreement is terminated just as soon as the employee begins to draw a pension, in which event more liberal adjustments are made than in cases of discharge or voluntary termination of employment. The pensioner receives all the stock credited to his account, both the shares he himself has paid for and those contributed by the corporation. A few of the less generous plans refund the pensioned worker only his own payments with interest. In case an employee dies prior to completion of his payments, his beneficiary is generally given the privilege of completing the payments or receiving a refund of the installments already paid, with interest. Some companies reserve the right to deliver to the beneficiary shares of stock equivalent to the paid installments and accrued interest. The assignment, pledge, sale, or transfer of stock not completely paid for is expressly prohibited, although the company itself often provides for loans on such securities. In a number of cases, moreover, stock must be retained for a certain period after completion of payment.

Under most plans only one kind of stock is issued to employees, namely, preferred or common. Usually the latter is issued. In some instances a special form of stock is issued that is preferred as to assets before common stock, is generally without voting power, and has a low par value with a guaranteed dividend. With regular stock, employees may exercise their voting privilege immediately upon completion of payment, the stock being voted in the meantime by the trustees. The purchase of stock is not obligatory, and failure to do so does not constitute grounds for discriminatory treatment. On the other hand, the subscription for stock by an employee does not impair the employer's right to discharge. Stock sold to employees is usually purchased in the open market, although in a number of cases it has been donated for this purpose by a large stockholder or is a block of treasury stock previously authorized but not hitherto issued. The com-

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pany invariably reserves the right to change or terminate the stock-purchase plan at any time, to withhold examination of its books, and to provide such administrative machinery as it deems necessary and expedient. Administration of the plan is usually entrusted to the board of directors, a special committee, or special trustees selected by the company. The administrative expense is borne by the company, and there is usually no provision for employees' representation on the governing body.

ACCOMPLISHMENTS OF EMPLOYEE STOCK OWNERSHIP. Plans of employee stock ownership are admittedly still in the experimental stage. Many companies that once supported the program with enthusiasm have discontinued their plans. A number of reasons have been given for such action. Some companies have had only a limited amount of stock for sale. In a number of cases the sale of stock to the rank and file of employees was discontinued because they did not understand the reason for stock market fluctuations and so were inclined to blame the company for deflation of stock values. Frequently they sold their stock to outsiders or played the market. Still other employees lost interest in the plan and discontinued their payments when market quotations manifested a tendency to decline. Consolidations and mergers have been responsible for the termination of the plan in some instances. The evidence indicates that the best results have been obtained where the stock was given to the employees or the company made a considerable contribution. The success of plans providing for the sale of stock apparently depends upon a number of factors, such as the kind of employees in the service of the company, the ratio of skilled to unskilled workers, the prosperity of the enterprise, and the general example set by executives in purchasing shares of stock.

Both organized workers and many employers have raised serious objections to employee stock-ownership plans. The radical wing of the labor movement opposes such schemes because they tend to make the wage earners satisfied with the present social and economic order. Conservative trade unionists on the other hand, who are inclined to accept the capitalistic system, fear that this and other attempts on the part of the employer to improve the status of the wage earner are designed

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to undermine unionism and to destroy collective bargaining with regard to wages, hours, and other conditions of employment.

Many employers criticize stock ownership by employees on a number of grounds. It is contended that stocks are essentially speculative and so do not constitute a safe form of investment for the wage earner, whose means are limited. Furthermore, the amount of stock that any employee can purchase is so small that it can have little beneficial influence upon industrial good will, co-operation, economy, and efficiency, especially when the stock carries no voting power.

It is impossible to speak with any degree of finality concerning the potential success and influence of employee stock ownership. The movement is too limited to warrant positive conclusions. It has gained ascendancy in a period of unprecedented business activity, a rising securities market, fairly steady employment, and relatively high wages. It has faded into relative insignificance during widespread business depression and unemployment. Many still entertain the hope that the wider distribution of stock ownership made possible by these plans will have a stabilizing effect upon business conditions, insure a more equitable distribution of wealth and income, stimulate habits of saving and thrift, improve industrial relations generally, and make for a more intelligent public policy with regard to the control of industry and business.

Attainment of the preceding objectives is problematical. Certainly little has been accomplished thus far in the way of democratic ownership and control of business and industry. The income level of employees in the lowest paid groups has not been improved materially by these schemes, and no appreciable readjustment in the general distribution of wealth and income has resulted. It is a debatable question whether employees can ever have the capacity to purchase enough stock to exercise effective control, even if they had the interest and intelligence to justify the apportionment of such power to them. There is no reason to believe that for the great mass of wage earners profits will very soon be as important as wages or that the workers will acquire a conspicuous share in management as a result of their ownership of stock. Most workers seem to be content to let others do the directing and are

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more interested in obtaining equitable standards of wages, hours, and conditions of employment than in the acquisition of industrial ownership and control. Experience thus far is not too assuring with regard to the constructive influence of employee stock ownership upon industrial unrest and the increase of economy and efficiency. As a matter of fact the major proportion of stock has been purchased by employees in the upper ranks, who probably already had a serious interest in these results. Notwithstanding these apparent shortcomings, the central idea of employee stock ownership has positive merits and, if given proper direction, may have considerable influence in the solution of perplexing problems of industrial relations.

STABILIZING INDUSTRY AND EMPLOYMENT. In recent years certain manufacturers have made remarkable progress in so regularizing their production and stabilizing the market for their products as to greatly diminish fluctuations in seasonal employment and even to lessen the severity of variations due to cyclical depressions. These results have been accomplished in a number of ways, including manufacturing for stock; planning construction, repairs, and plant improvements to coincide with slack periods; improving sales methods and co-ordinating the activities of sales and production departments so that there is less discrepancy between them; building up more diversified markets by increasing the variety of products and exploiting new markets having different seasonal demands; and, in some cases, standardizing the product so as to eliminate the disturbing influence of fashion.

Special discounts are offered customers who purchase their stock out of season. This makes possible more long-range planning of production because demand can be gauged and rush seasons avoided. Some manufacturers have achieved a measure of success in standardizing their product and creating a steady demand for it, thus reducing greatly the uncertainty occasioned by rapid changes in style. Others have gone to the opposite extreme and attempted to meet a varied demand by adjusting production to a variety of products that are required in different seasons. If manufacturers of clothing obtain the co-operation of consumers in standardizing styles, production can be planned more efficiently and economically.

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A constructive effect upon stabilization would undoubtedly result if manufacturers would postpone all except the absolutely necessary plant improvements until production slows down and there is danger of having to lay off workers. Many employers have reduced the severity of distress incident to business depression by shortening the working day and distributing work on a part-time basis. This assures all employees at least some income. It also greatly benefits the employer by keeping his experienced labor force intact and precluding the expense of hiring a new force when production again becomes active.

Prominent among the firms that have adopted a systematic plan for the prevention and relief of unemployment is the Dennison Manufacturing Company of Framingham, Massachusetts.⁹ This company started as a manufacturer of Christmas trinkets, its busy season beginning in September, when retailers ordered their goods, and ending after three or four months of concentrated production and overwork. By the application of certain clearly defined principles it has greatly reduced the risk of seasonal unemployment. These principles are worth noting:

1. Seasonal orders are reduced by getting customers to order at least a minimum quantity of goods well in advance of the season. This is accomplished by obtaining business through persuasive salesmanship, and by giving greater assurance of prompt delivery.

2. The proportion of nonseasonal orders is increased. Through effective selling there are obtained "hold orders," which are not to be delivered until a certain date, and other orders that are to be delivered when ready.

3. All stock items are planned more than a year in advance. On the basis of the previous year's sales the warehousing department ascertains just what amount of stock items will be required, a fact which not only makes possible proper distribution of production but also assures a steady flow of commodities to customers.

4. Departmental needs are planned well in advance. This assures the necessary amount of raw materials and other prerequisites of production when needed, and prevents a slowing up of manufacture which invariably results in loss of time to the workers and of money to the company.

9. A detailed statement of these principles and methods is contained in a mimeographed circular issued by the company. For other examples of regularization of industry see Herman Feldman, *The Regularization of Employment*, and C. C. Balderston, *Executive Guidance of Industrial Relations*.

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5. "Out-of-season" lines of commodities are built up and items are varied in order to balance one demand against another. Novelties are manufactured to maintain a demand in off seasons and staple articles are made for stock, thus leveling production and steadying employment.

In addition to these methods of decreasing the pressure of seasonal demands, other intelligent adjustments are made to steady employment. Decreased production in one department is balanced against surplus work in another. Employees are transferred from the inactive to the active departments, which assures them employment and increases their general adaptability and efficiency. In order to meet any contingencies of unemployment that get beyond the control of the company, unemployment relief is provided in the form of an unemployment fund set aside by the directors out of profits.

ANNUAL WAGE AND GUARANTEED EMPLOYMENT PLANS. The employer's chief voluntary approach to the most perplexing of all problems of labor—that of unemployment—has been through the inauguration of various plans designed to bring to the worker a greater economic security by means of the assurance of either a minimum annual income or a minimum amount of employment throughout the year. The first of these two methods, that involving the concept of an "annual wage," as President Roosevelt has termed it, signifies a program instituted by the employers of the nation which would assure laborers a minimum of income for themselves and their families regardless of whether they were called upon by their employers to work or not. It is a new conception of a widening scope of responsibility which the employer is thought to have in his provision for hiring and utilizing the services of labor.

For some time prior to the enactment of the Social Security Act a few progressive American employers were attempting voluntarily to meet a part of the burdens thrust upon the worker as a result of involuntary unemployment. This was accomplished largely through voluntary unemployment compensation plans, most of which were initiated during the better years of the 1920's, and all of which by 1934 were either greatly restricted or suspended altogether by action of the

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respective managements. There were two general types of programs, but at no time in their development were they being sponsored by more than a total of twenty-five or thirty companies employing only a fraction of 1 per cent of all wage earners of the nation.

One type was that of the *individual voluntary unemployment benefit plan* participated in by the General Electric Company, the William Wrigley, Jr., Company, and others.¹⁰ For several years prior to 1936 the General Electric Company extended unemployment benefits to eligible employees under a plan which called for a voluntary 1 per cent reduction from pay checks to which the company added an equal amount. With these contributions a fund was established to provide for benefits equal to approximately 62 per cent of their normal earnings during the unemployment period of any one year. In the case of the Wrigley Company the fund was made up completely out of the company's earnings and surplus, and was presumed to be adequate to extend payments of approximately 50 per cent of average earnings to all eligible workers for a number of weeks of unemployment each year determined upon a basis of the number of years of service within the organization.

The other type of unemployment benefit program which has been instituted voluntarily by the employer is the *joint voluntary unemployment benefit plan*, of which the Rochester group is the best known. Under this plan several employers associated themselves into a group for the purpose of building up a pooled fund to be extended to workers who were forced out of work through no fault of their own. Usually the workers also made contributions to the fund. An eligible employee received unemployment benefits upon a basis of his average earnings and the length of his service with the company, if satisfactory

10. A survey made by the U. S. Department of Labor in 1934 found sixty-eight unemployment benefit plans in operation throughout the nation, twenty-two of which had been established by individual companies, five as a result of collective agreements, and forty-one maintained by individual trade unions for the benefit of their members. Of the company plans, fifteen had been suspended by the beginning of 1938 because of the unemployment compensation laws. (See *Monthly Labor Review*, vol. 45, October, 1937, pp. 839-42.)

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employment could not be found for him among some other organization of the group. This plan was abandoned in 1936 when the state unemployment compensation law became effective.

Notable as these voluntary attempts of some progressive employers have been, the Great Depression has shown how difficult it is for them to solve the unemployment problem in this manner. Employers either have not been able or willing to act effectively upon this problem when left to their own initiative. That is the major reason why compulsory unemployment compensation provisions were written into the Social Security Act.¹¹

But in spite of the improbability of widespread voluntary adoptions of such measures by the employers of the nation, other notable individual approaches continue to suggest to labor the possible influences of a general development of plans for guaranteeing the worker either a certain minimum employment period throughout the year or a certain number of weeks of work throughout the year at a minimum weekly wage. There are thus two general types of guaranteed employment plans, one including programs which assure the worker a minimum number of weeks of *employment*, and the other assuring a certain minimum amount of *wages* throughout the year.

Perhaps the best illustration of plans guaranteeing employment for a minimum period of time annually is the program which has been operating in the Procter and Gamble Company since 1923. This plan, known as the Procter and Gamble Guarantee of Regular Employment, guarantees to each hourly-rate employee with at least twenty-four consecutive months of employment (immediately preceding the application of this plan to his employment) within designated divisions of the company, regular employment for not less than forty-eight weeks in each calendar year during which the agreement is in force, and subject to the following provisions:¹²

1. Regular employment shall be understood to mean employment for not less than the hour week established from time to time by the Company at each of its factories.

11. See part vi, especially chapter 28.

12. From a revised statement issued by the company the latter part of 1936.

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2. When an employee first comes under this guarantee after January first of any calendar year, the Company guarantees to him under the terms and provisions outlined that he shall not be unemployed in excess of four weeks (or the equivalent) during the remainder of the calendar year, plus time lost because of illness, holidays, *et cetera*.

3. The Company reserves the right under the guarantee to transfer any employee to other work if necessary, and to pay the worker so transferred upon a basis of the new work done.

4. Under action of the Board of Directors, the hours of work may be limited to 75 per cent of the established hour week less time lost for reasons provided (sickness, *et cetera*) without changing the established hour week whenever the board deems necessary.

5. The right to discharge any employee at any time is reserved by the Company.

The company has established this plan because it "believes it to be sound business practice and a desirable protection for its employees." During its years of operation it has proved to be highly successful, and at no time prior to the present writing has the management found it necessary to suspend it, although alterations have been made from time to time in perfecting the program. Largely because of the character of its product and its scientific approach to the practice of long-range production for storage in order to avoid seasonal fluctuation, the company has been able to carry through this commendable plan successfully in the face of the many months of depression during the decade which preceded 1940. It is an excellent illustration of what a far-sighted organization can do, if the nature of its business is largely the production and distribution of staple products.

There are two noteworthy illustrations of employer plans directed toward a guarantee of wage payments during the entire year. In 1935 the Nunn-Bush Shoe Company of Wisconsin announced its "yearly salary plan" under which all eligible wage earners would be guaranteed the payment of fifty-two weekly wage checks whether they were employed or not. The management estimates the number of hours of factory operation during the year and the proportion of labor costs to the wholesale value of shoes which will be sold throughout the year. This is done, of course, upon a basis of careful estimates made relative to

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the total sales of the organization for the preceding year. Then the average wage for the working year,¹³ multiplied by the average hourly rate, is divided by fifty-two weeks, and the result gives the average weekly salary which can be guaranteed to the worker upon a basis of the cost and production estimates made. These weekly payments are revised upward or downward in the light of actual experience, but at all times the worker is assured a total of fifty-two pay checks during the year. Seasonal laborers are not covered, but all permanent workers participate in the program. Its chief merits are security of employment and regularity of pay, together with a degree of flexibility which allows the adjustments in both prices and wages made necessary by outside economic forces.

The second wage plan is that known as the straight time plan of George A. Hormel and Company, meat packers in Minnesota. It is similar in general outline to the program of the Nunn-Bush Shoe Company, although it has been in operation most of the time since 1931. It was first instituted in certain divisions of the organization but spread rather rapidly to the entire plant. The year's business is estimated, and the labor cost of the plant is divided into fifty-two weeks. The various departmental schedules are then drawn up. At the end of the year, if any one department has not produced the estimated budget, the individuals of that department become indebted to the management for the difference. On the other hand, if production exceeds the allowance made, bonuses are distributed to the employees of the department concerned. If the men are absent, the department gets either replacement men or the money equivalent, the choice depending upon a democratic vote of the men themselves. Acceptance of the plan is entirely voluntary and is left to each individual department.

A significant characteristic of the program is that the C.I.O. local union, in which many of the workers are members, is responsible for (1) the establishment of the work budgets for a given number of persons within the department, (2) the actual assignment of work within the department (but not its supervision), (3) additions or transfers of

¹³. Made up of 1920 hours computed on the basis of a forty-hour week with holiday and other allowances.

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persons when adjustments are necessary, (4) allocation of bonuses, and (5) the proper settlement of misunderstandings and grievances growing out of the system. Thus the successful operation of the program is largely dependent upon the union itself. Considerable opposition to this program was offered during the early years of operation, but the degree to which it has won the praise and support of the workers is indicated by the fact that even though acceptance is purely voluntary, about nine-tenths of the departments are operating under it.

Rather than guarantee employment or pay checks, some employers have made it possible for the older workers to receive "advance wage payments" during periods of seasonal unemployment. One of the most recent programs of this type was announced early in 1939 by the General Motors Corporation. Under this plan employees with from two to five years of service with the company are advanced weekly wage payments during periods of layoff, which amount to 40 per cent of their average weekly earnings. When the period of seasonal slack is ended, these employees are called back to the company and immediately begin repaying the amounts (without interest) advanced to them. Workers with at least five years of service are advanced up to 60 per cent of their earnings during the layoff period.

OTHER REMUNERATIVE BENEFIT PROGRAMS. Most of the other programs introduced voluntarily for the benefit of employees may be classified under dismissal compensation plans, vacations with pay, and industrial private pension programs. Payment of dismissal compensation to employees having a specified length of service with an organization has been largely a development of the recent depression period. Only a few such plans were inaugurated prior to 1929. The theory underlying this form of program is found in the general recognition of the employer's obligations to both his workers and the community, but doubtless the influence of discharge upon the company's industrial relations is also a motive. Usually a certain length of service is required for eligibility, and the actual amount paid to the worker is based upon the length of service. A simple formula is to pay the worker the equivalent of one week's wages for every year spent in the employ of the company.

During the six-year period 1930 to 1936, the twenty-five companies for

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which data were available paid \$5,286,820 to 12,180 workers as dismissal wages. The average payment to these workers amounted to \$434 per discharged worker.¹⁴ The National Industrial Conference Board, in commenting upon the operations of current plans in force throughout the country, states:¹⁵

While the benefits that management derives from the dismissal wage plan are mostly incidental, they are nonetheless important. The advantage most frequently mentioned is the improvement in the morale of the working force due to the payment of these dismissal wages. With the ever present fear of unemployment partly relieved by the assurance of a dismissal wage, the worker possesses a peace of mind that makes for reliability, loyalty, and general craftsmanship. As one company official states, "The general morale of employees is favorable when they feel that the company is providing security and fair treatment."

Paid-vacation plans are now quite common throughout the United States in business organizations and nonmanufacturing industries. A recent study of over 31,000 companies shows that practically all workers employed by brokerage and insurance firms and general offices were receiving vacation periods with pay. In public utilities and retail establishments the practice also appears to be fairly widespread. It is least popular in the manufacturing field, and at work where the hourly wage still represents the major method of payment. Such plans also are more common in the large-scale industries than in those involving large numbers of small employers.¹⁶ These plans vary considerably within the different industrial groups, but most provide for a vacation period of one week after three months of service and of two weeks after six months of service. In some cases employees are granted a three-week vacation period on full pay after ten or fifteen years of service.

Industrial private pension programs are still maintained by a few em-

14. See "Dismissal-Compensation Plans, 1937," *Monthly Labor Review*, vol. 45, December, 1937, pp. 1355-60, and the National Industrial Conference Board, *Dismissal Compensation*, by F. Beatrice Brower.

15. Quoted in *ibid.*, p. 1360.

16. "Characteristics of Paid-Vacation Plans," *Monthly Labor Review*, vol. 48, June, 1939, pp. 1258-66.

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employers, although they have been curtailed under the federal old-age pension program to the point where they supplement the national program. Thus they allow to aged and retired employees, under a combined national-private plan, annuity payments approximately equal to what the private plans had provided prior to the passing of the Social Security Act. Most employees, however, have never been covered by voluntary programs, and the net gain experienced by the wage earners of the nation through the enactment of this national legislation has been phenomenal.

Most voluntary programs still operating possess common general characteristics. Benefits are usually made available to all classes of employees who have a long record of permanent employment with the company upon reaching the retirement age. Many of the plans are supported by the management; some call for joint employer-employee contributions. The method of determining the size of annuity payments is quite simple, a common arrangement being to allow monthly benefits amounting to one and one-half per cent of the average yearly wage over the past ten years multiplied by the number of years of employment with the company. Prior to the Social Security Act many employers followed the practice of not supporting any one pension system, but rather of taking care of each case upon its own merits as it developed. Most employers agree that from the point of view of shrewd business private pension programs do not pay, but from the point of view of the individual needs of employees they improve the worker's standard of life and his security. As with trade union pension schemes, however, the recent changes in social security legislation have greatly diminished the need for this program.

LABOR COPARTNERSHIP AND INDUSTRIAL DEMOCRACY. A noted French economist has observed that an even more radical modification of the wage contract than is attempted by profit sharing and other remunerative benefit programs would be its transformation into a veritable partnership, giving to the worker a share not only in profits but in administration, responsibility, and losses.¹⁷ This is the aim of labor co-

17. Charles Gide, *Principles of Political Economy* (D. C. Heath, 1924), p. 646.

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partnership, which claims for all the workers participation to some extent in the profits, capital, and control of the industry or business in which they are employed.

At least one notable experiment along these lines has been under way for some years in the United States. It involves the Columbia Conserve Company of Indianapolis, Indiana, a fruit and vegetable packing company which for the past fifteen years or more has been under the ownership and management of its employees. Behind this experiment is the fundamental idea that the workers do create and are entitled to a voice in the management, and that industrial ownership represents the next step in the evolution of employer-employee relations. To this end the workers of the Columbia Conserve Company have been taken into the organization as its owners and managers. For a number of years the profits went toward the purchase of stock for the employees until at present most of the stock is owned by the workers. At the head of the company is a works council made up of ten employees acting as both management and workers, and serving in the capacity of a board of directors. Discipline matters are placed within the hands of a discipline committee. Working hours, pay, vacations, attendance—these and other matters arising in the course of employment relations are dealt with by the workers themselves in a true form of industrial democracy. It is significant to note that in spite of serious disciplinary and financial difficulties encountered by the company during the worst years of the Great Depression, the experiment has survived, and by 1940 had regained considerable financial strength and confidence. It has managed to live through a very severe test period, and serves as a notable illustration of the practical application of the principles of industrial democracy in America.

The Labor Copartnership Association of Great Britain, which more than any other agency is responsible for the promotion of profit sharing in that country, has given the essentials of a copartnership. The worker shall receive, in addition to the standard wage of the trade, some share in the final profit of the business or the economy of production. He shall accumulate his share of profit, or at least a part of it, in the capital of the enterprise. He shall, moreover, acquire some share in

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the control of the business in two ways, including the assumption of the ordinary rights and responsibilities of a shareholder through the ownership of stock, and the formation of a copartnership committee of workers and managers, the latter having a voice in the management of the business.¹⁸ It is the duty of the copartnership committee to administer profit sharing or copartnership funds, determine wages, hours, and conditions of labor, and adjust grievances and disputes.

Questions for Class Discussion

1. Why does labor usually favor the time wage method of remuneration? Under what conditions would you expect workers to favor the piece wage method? The task wage? The premium plan? The sliding-scale? Bonus schemes? Which, from the employer's point of view, are most acceptable, and why?

2. Explain the principle of wage differentials, and show how recent wage-hour legislation has caused this principle to become applicable.

3. How does labor view the wide-spread development of profit-sharing schemes? Do such programs offer any real possibilities for the spread of industrial democracy in America? What is the chief weakness of these programs?

4. If profit sharing is sound in theory and practice, is loss sharing also sound for the same reasons? Discuss critically the theoretical implications of these two programs.

5. What are the basic differences between a system of profit sharing and employee stock ownership? How has stock ownership affected the laborer's attitude toward management and its problems?

6. Is the employer responsible, under natural competitive conditions, for the stabilization of employment and output? Describe carefully what forces are at work which encourage him to do all within his power to stabilize his business. What forces are apt to be acting in the opposite direction?

7. Analyze critically the economic implications of the passing of a national law requiring all employers to pay their respective employees a minimum annual wage whether they are employed productively or not.

8. What effect would be felt upon the national economy if all employers throughout the nation would establish plans similar to the guaranteed pay roll program of the Nunn-Bush Shoe Company? Would such a development solve the problems of labor?

¹⁸. Labor Copartnership Association, *Memorandum on Labor Copartnership*, issued November, 1919.

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9. Has the era of "industrial welfare programs" passed from the American scene?

10. What is labor copartnership? How far would you expect capital to go in extending this system in the hope of effecting a successful approach to labor problems?

Collateral Readings

A. EMPLOYEE STOCK OWNERSHIP

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B. STABILIZING INDUSTRY AND EMPLOYMENT

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Chamber of Commerce of the United States of America, *Balancing Production and Employment Through Management Control*, Washington, 1930.

Feldman, Herman, *The Regularization of Employment*, New York, Harper, 1925.

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C. WAGES AND WAGE SYSTEMS

Brower, F. Beatrice, *Dismissal Compensation*, New York, National Industrial Conference Board, 1937.

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- Hapwood, J. O., *Salaries, Wages and Labor Relations*, New York, Ronald Press, 1937.
- Riegel, John W., *Wage Determination*, University of Michigan, Bureau of Industrial Relations, 1937.
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Chapter 25

SYSTEMS OF JOINT RELATIONS

¶ NATURE OF EMPLOYEE REPRESENTATION. Workers' representation may be defined as "a mechanism to permit employees of an organization, through duly elected representatives from among their number, to confer with management representatives concerning matters affecting working conditions, with a view to arriving at a mutually satisfactory agreement and, in general, promoting harmonious relations and an understanding on the part of each group of the viewpoint and problems of the other."¹ It is based upon management's frank recognition that the employee, if he bargains individually, is bound to be at a great disadvantage in discussing the problems of wages and working conditions with his employer.

In the United States workers' representation has been practiced in one of two different forms. Sometimes this process recognizes the working force as a complete unit with the representatives of which the management deals in matters concerning all the workers. Or the plan may entail collective bargaining between the employer and representatives of an outside labor organization which has established its position as sole bargaining agent for all the workers of the organization, under the terms of the National Labor Relations Act. In either case the process of collective bargaining is involved, the major distinction between these forms being that in the case of dealings through an employee's association or company union, representatives of the workers are chosen from among the employees of the organization itself, while in the case of a local plant union affiliated with an outside organization, the representa-

1. National Industrial Conference Board, *Collective Bargaining Through Employee Representation*, p. 2.

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tives of the employees involved are usually business agents or officials of the union.

THE WORKS COUNCIL. What is said later about the influence of the National Industrial Recovery Act upon the organization of company-dominated unions ² must not be interpreted to mean that all employee representation plans have been initiated by employers for the sole purpose of defeating effective unionization among the workers. Such is far from the truth, even though numerous abuses have developed. Many employers have honestly felt the necessity of establishing such a plan within their respective companies regardless of the status of union organization. For this reason they support the movement for shop committees and works councils, which in the United States has developed for the most part independently of the trade or industrial union movement.

It is not strange that individualistically minded employers should desire a form of industrial government the control of which lies within the confines of their own plants. They insist that the unit of collective bargaining should always be the single establishment rather than the trade or industry; that such important matters as wages, hours, physical conditions of work, and similar aspects of the employment relation should be determined in joint negotiations with their own employees rather than through the medium of an outside agency. The works council keeps joint determinations within these controllable limits. It is "an organization under which the employees of an individual establishment, through representatives chosen by and from among themselves, share collectively in the adjustment of employment conditions within that establishment."³ The form of organization may be single, in which case the management and the workers have their own separate committees or councils and meet only occasionally in joint session for the purpose of adjusting difficulties; or a joint form may be provided, in which case representatives of management and employees meet in a common committee or council.

2. See pp. 795-7 of this chapter, and chapter 30.

3. National Industrial Conference Board, *Works Councils in the United States*, Research Report no. 21, October, 1919, p. 1.

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REASONS FOR ESTABLISHING COMMITTEES AND COUNCILS. Numerous motives have actuated employers in introducing shop committees and works councils in their own establishments. Frequently the motivation is decidedly selfish, but in many cases self-aggrandizement is tempered by sincere humanitarianism or a sense of justice. Many employers have discovered that there is a very intimate connection between employee participation in control of conditions of employment and the increase of production. Men are much more likely to be interested in work if they have something to say about the conditions under which it is to be done. Wage earners desire a voice in the determination of employment conditions. Some employers recognize the naturalness and legitimacy of this desire and give opportunity for its realization.

The spread of industrial unrest undoubtedly has had much to do with the initial impetus that was given to the movement for joint representation. Employee representation plans afford a channel of communication between management and men. In the absence of such a channel grievances and ill-feeling accumulate and serious consequences in the form of labor turnover, limitation of production, and walkouts are almost inevitable. A number of employers have provided for joint negotiations because shop committees and works councils afford an opportunity for imparting to the employees important data on production, technical readjustments within the plant, and fundamental economic and social problems. Modern industrial relations are too often characterized by suspicion, fear, distrust, and class hatred. Shop committees and works councils provide an organized form of contact between employers and employees which tends to a deeper appreciation of each other's problems and points of view. Around the conference table representatives of workers and management gather periodically, and a spirit of intimacy, friendliness, and confidence tends to develop.

It has occurred to some employers that industry, as organized and controlled at present, affords little opportunity for that larger expression of self and development of individuality which is so essential to a desirable civilization.

Men are rapidly coming to see that human life is of infinitely greater value than material wealth; that the health, happiness and well-being of the indi-

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vidual, however humble, is not to be sacrificed to the selfish aggrandizement of the more fortunate or powerful. Modern thought is placing less emphasis on material considerations. It is recognizing that the basis of national progress, whether industrial or social, is the health, efficiency, and spiritual development of the people.⁴

In the past many employers have consciously introduced company unions, shop committees, or works councils because they believed that such organizations forestalled trade union organization and independent collective bargaining on the part of their employees. The shop organizations confine all negotiations to parties within the company and little is feared from the union organizer. The employer enjoys his cherished status of running his business as he sees fit, without outside interference. This has been the dominant motive for the establishment of these newer forms of industrial government.

HISTORICAL DEVELOPMENT. Although considerable encouragement was given to employee representation plans by the National Industrial Recovery Act, this movement is much older than the New Deal. It has developed as a consequence of modern industrialism. The growth of works committees and similar organizations designed to give employees a voice in the control of conditions of employment is found throughout the long period of industrial development. In a very true sense works committees antedate trade unionism. Certain conditions incident to the development of modern industrialism made imperative the formation of workers' committees to deal with employers concerning employment relations. Among these were the separation of the workers from the tools and machinery of production, the increasing complexity of the structure of industry, the development of minute specialization of tasks, the ever-widening breach between employers and employees, the constant scrapping of old methods and processes, and the introduction of new devices and machines. To improve their conditions, the workers dispatched delegations to remonstrate with the employer. These delegations or committees were often temporary bodies and frequently were not successful, but they constituted the germ of the trade union movement. As trade unionism developed, a network of commit-

4. John D. Rockefeller, Jr., *Representation in Industry*, New York, 1918, p. 28.

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tees and agencies was evolved to safeguard the interest of the workers in the shop, mill, and mine. Thus we have "shop delegates," "works representatives," "shop stewards," "collectors," "watch or vigilant committees," and "white-button stewards."⁵ Determination of piece-work rates, standardization of tasks, and general enforcement of union rules and agreements are among the duties performed by the local, district, and national committees that have come into existence in the evolution of labor organizations.

It is in the conditions produced by the World War, however, that one must seek the causes of the first real growth of shop committees and works councils. The need for uninterrupted production during that crisis greatly accelerated the movement for collective dealing between employers and employees. Under the leadership of the government, or of their own volition, employers began to provide channels of communication between management and workers, and these channels took the form of shop committees and works, district, and national councils. The growth of democratic tendencies among the employers of labor was surprisingly great, and the workers' desire for self-government in industry was given unprecedented expression.

Several American firms had devised schemes for the promotion of workers' representation prior to the war, but the movement received its early impetus in the United Kingdom. The reports of the Reconstruction Committee Subcommittee on Relations between Employers and Employees (1917), commonly known as the Whitley Committee, and other investigating bodies made clear the causes of industrial unrest and suggested possible remedies.

The Whitley report attracted much attention at home and abroad. Urging the importance of continuing the spirit of co-operation that had been developed during the war, this committee suggested the establishment in each industry of industrial councils to represent both employers and employees in the settlement of industrial disputes. There was

5. This is the term applied to the key union employees who were strategically stationed throughout the plants of the Chrysler Corporation during the 54-day strike in the fall of 1939. These men, so the management claimed, were responsible for the "slowing down" of the production schedule of the company.

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recommended a triple system of representation, namely, National Joint Industrial Councils, District Industrial Councils, and Works Committees, to cover any trade or industry to which such a scheme could be applied successfully. The committee was convinced that the best solution of the problem of industrial relations lay in the use of the power and machinery of associations of employers and organizations of workers. Both the structure and functions of the various councils and committees were to be sufficiently elastic to fit the needs of the different trades and industries. To the committee, permanent improvement seemed to be found in joint control of industry rather than in specialized schemes to furnish financial incentives. Upon the approval of the first report of the committee the idea gained wide acceptance, and soon the Industrial Councils Division of the Ministry of Labor was created for the purpose of giving assistance and information to those who desired to organize such councils and to secure data concerning the results achieved by the several plans.

During the first twenty years of operation, various industries had established Whitley councils. By 1938 the industrial group of councils was composed of forty-one National Joint Industrial Councils, Interim Industrial Reconstruction Committees for four industries, two Sectional Trade Councils, and six District Councils. In addition the public administration group of councils accounted for a National Council for the Administrative and Legal Departments of Civil Service; five Government Departmental Industrial Councils, five Government Trade Joint Councils, and five Local Authorities' Service groups. Although there appears to be no indication that these councils recently have been extended materially, official reports disclose that the system in Great Britain is functioning successfully, and that the work of the councils is gradually being increased in scope.⁶

RISE OF JOINT SYSTEMS IN THE UNITED STATES. Whereas the plans for industrial representation in Great Britain are closely co-ordinated with trade union organization, the movement in the United States has not depended upon the existence and co-operation of trade unions, except

6. "Joint Industrial Councils in Great Britain," *Monthly Labor Review*, vol. 48, May, 1939, pp. 1046-54.

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in a few instances. For many years prior to the war American employers sought to gain the confidence and loyalty of their workers by instituting or encouraging the workers themselves to organize clubs and associations for social purposes and industrial betterment activities. It was a short step from these associations to shop committees and councils designed to aid in the control of conditions of employment. There were also informal deputations of workers in many establishments for the purpose of adjusting differences between employers and employees. Where trade unions existed, grievance committees or wage committees were instituted in the individual establishments to deal with the management, and these often became the recognized channel of communication.

In the United States, the first suggestion for a works council has been traced to an article on *The Shop Council*, published by the Society for Political Education, 1886. Between 1886 and 1914 numerous attempts were made to introduce shop committees and works councils in this country. Among the early experiments were those of the Nernst Lamp Company of Pittsburgh (1904), the Nelson Valve Company of Philadelphia (1907); and the White Motor Company (1914). Some of these early plans have been abandoned, while others continue to function successfully.⁷

In 1915 the Colorado Fuel and Iron Company, which had experienced serious strikes in 1913 and 1914, introduced the plan under which employees in each of the company's mining districts by secret ballot elect representatives who act on their behalf in matters concerning sanitation, recreation, education, wages, and employment. This plan was discontinued in the spring of 1940. In 1917 the Shipbuilding Labor Adjustment Board and the President's Mediation Commission aided in the formation of shop committees in the shipping yards and the Arizona copper mining district, respectively. In the agreements that it provided in 1918, the United States Fuel Administration established employees' committees, and in the same year the United States Railroad

7. For a full discussion of the origin and current operation of employee representation plans, see Gordon S. Watkins and Paul A. Dodd, *The Management of Labor Relations* (McGraw-Hill, 1938), chaps. 32-34.

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Administration provided that disputes should be adjusted by a "general committee of the employees up to and including the chief operating officer." During the years 1918 and 1919 the National War Labor Board provided, in many of its awards, for the selection of employees' committees for the promotion of amicable industrial relations, thereby stimulating production.

EFFECT OF NEW DEAL LEGISLATION ON SYSTEMS OF JOINT RELATIONS. Prior to the passage of the National Industrial Recovery Act in 1933 employers usually followed the policy of discouraging or destroying labor's attempt to unionize. But the N.I.R.A. gave a new emphasis to collective bargaining, though not necessarily through unionization. For the first time in the history of the American labor movement an official government stamp was placed upon the workers' right of self-organization. Under Section 7(a) of the N.I.R.A. every code of fair competition which was to be drawn up as the major part of the recovery program was to provide that employees should have the right to organize or bargain collectively through representatives of their own choosing, and that no employee seeking work should be required to promise to join or not to join a union. Thus all workers covered by industrial codes under the N.I.R.A. were given the right to organize, and if they chose to do so were to be protected by law from any interference whatever by the management. No employer, under the law, was allowed to require any worker to join, or refrain from joining a union, and the old-time employer device of the "yellow-dog contract" was thereby outlawed.

Immediately chambers of commerce and manufacturers' associations throughout the country opposed the movement toward trade and industrial unionization that sprang up under the encouragement of this protective labor legislation. The employers insisted that the closed union shop established by agreement between an employer and a single union was a violation of Section 7(a) so long as a single employee of the organization did not wish to join the union. This method of opposing the law was resorted to soon after the act became effective, even though the law clearly did not require workers to belong to trade unions or to any other form of labor organization. Moreover, it did not require com-

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pulsory substitution of collective bargaining for individual bargaining; nor did it make the trade union the exclusive instrumentality for collective bargaining.

But employers were quick to seize upon a loophole in the act. They soon realized that even though these rights of organization and collective bargaining had to be recognized, they were not prohibited from taking a "friendly" interest in this organization movement by encouraging wherever possible the establishment of company unions and employee representation plans in preference to outside affiliated unions. Thus following 1933 there took place a widespread move among employers, eventually leading to a nation-wide revival of the "company-dominated union." Employers everywhere began to accept and foster this as the lesser of the two evils, if their workers' right to bargain collectively had to be recognized. It was for the purpose of correcting this abuse that the National Labor Relations Act was passed a few months after the National Industrial Recovery Act was declared unconstitutional in May, 1935.⁸

Although they may still be unalterably opposed to the process of collective bargaining with independent labor organizations and with outside labor federations, employers coming within the scope of national and state laws governing bargaining procedure must recognize the laborers' rights to bargain collectively through representatives of their own choice. Many of these employers, as well as others not yet governed by this legislation, recognize the necessity and advantage of an established medium of communication between management and employees. We have seen how works councils and employees' associations represent one form of employer-employee bargaining procedure. Just as long as no intimidation or discrimination against union activities takes place, this process, known as "collective bargaining through employee representation," continues to be a legitimate and valuable means of settling many grievances and misunderstandings which are bound to arise. In fact these activities still represent such an important employer approach to the peaceful settlement of industrial disputes that the struc-

8. For a full discussion of the provisions of these laws and questions relating to their constitutionality, see chapters 30 and 31 respectively.

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ture and functions of individual representation plans are worthy of detailed examination.

TYPES AND STRUCTURE. Employee representation plans have a common feature: each creates a representative body selected by and from the employees of the establishment. But differences occur in organization and procedure, the structure and functions ranging from simple to complex. Some plans are more or less haphazard, while others are nicely adjusted to the needs of the establishment.

Generally speaking, there are two dominant types of employee representation schemes in the United States, namely, the "governmental" type and the "committee" type. The governmental type is patterned somewhat after the United States government. It provides for a cabinet, senate, and house of representatives, or for two houses only. This plan, known also as the "industrial democracy" plan, has been expounded most thoroughly by John Leitch in his book *Man to Man*.⁹

Under this scheme the cabinet consists of the higher executives of the plant, the senate consists of the foremen, and the house consists of representatives elected by the employees. In a modified form of this plan the senate and cabinet have been combined into a single body known as the "planning board." The senate and house meet separately and elect their own officers and standing committees, to which is referred all prospective legislation. Bills must pass both houses and be approved by the executives. Either the cabinet or the senate, when these two are distinct, may initiate legislation by a message to the house. Representatives of the employees act as councillors in their departments, receive and transmit all suggestions and complaints, and keep the other workers informed of the progress of legislation.

Most plans of the governmental type have as an essential supplementary feature a "collective economy dividend," which is a profit-sharing system. Savings in the cost of production are divided equally between the company and the employees. To avoid confusion with regular wages, employees are given their dividends at frequent intervals in

9. John Leitch, *Man to Man* (B. C. Forbes, 1919). Cf. William Powers Hapgood, *The Columbia Conserve Company: An Experiment in Industrial Democracy*, Indianapolis (privately published, undated).

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separate envelopes marked "employee's dividend." In some governmental plans both the senate and the house are composed of representatives elected by the workers. Provision is often made for joint conferences consisting of three members of the senate, three members of the house, and six representatives of the factory management, for the purpose of considering questions of joint interest.

The committee type sometimes consists of a single committee and sometimes of a group of committees performing specialized functions. These committees in their least developed form comprise only representatives of the workers, who confer with representatives of management concerning employment problems. In their more developed form they are joint committees consisting of representatives of both employers and employees.

In addition to the foregoing types there are committees and councils that do not conform to the general features enumerated or else embrace features that are common to both of the general types. A less complete and formal setup, for example, is found in small organizations where contacts between employer and employees are more intimate and more easily maintained. There is the company union, subsidiary to the employees' association, which embraces all or a part of the working force in a given establishment. This may conform to the governmental or to the committee type.

CONSTITUTION AND METHODS OF PROCEDURE. From the standpoint of their constitution, representative bodies of employees fall into two classes. The first are "single works councils," comprising the elected representatives of all the employees of an establishment. All questions and issues arising in employment relations are considered by this body. Thus, its functions are comprehensive and its authority coextensive with the plant. These works councils are often integrated into a general assembly or interplant council when the corporation has a number of establishments.

The second type includes those which consist not only of a central or general works council but also of a network of departmental, divisional, and shop committees, each representing only a part of the workers. Although the central single works council has been introduced in large es-

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tablishments, it is found chiefly in smaller ones. The supplementary committee system predominates in relatively large plants.

While there is no unanimity in the method of procedure of shop committees and works councils, sufficient uniformity exists to warrant a summary of essential features.

Ordinarily any worker in the employ of the company at the time of election is entitled to vote. In some plans, however, it is prescribed that the right to vote shall be based upon a certain period of service with the company, ranging from one month to one year, the attainment of a certain age, frequently eighteen years, and American citizenship or the possession of the first papers for naturalization. Eligibility for the office of representative depends upon American citizenship or the possession of first naturalization papers, attainment of a certain age, usually twenty-one years, and a stated length of service with the company. A period of continuous service for one year preceding the time of election is usually required. The term of office is six months or one year. Representatives are eligible for re-election, conditional, of course, upon satisfactory service. Alternation in office is generally provided for, so that some members of the committee or council are experienced, a condition that assures smooth operation of the plan. Representatives of the workers are nearly always subject to recall on a two-thirds vote of the employees of their section, department, shop, or plant, depending upon the functional area of the representative body. A few plans provide for a majority vote.

Nominations and elections are by secret ballot with adequate provision for securing an impartial count. The method of election may be direct, or provision may be made for the double process of nomination and election. It is frequently required that elections shall take place on certain days and that notices of election shall be posted a certain number of days preceding the election. The conduct of elections is entrusted to a committee or to a set of judges chosen for the purpose, either by the employees or jointly by the management and the workers. Special elections are provided to fill vacancies.

Meetings are arranged at more or less regular intervals, in some plants as often as once a month, and provision is made for calling special

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meetings. In some cases meetings are held only when complaints or grievances arise. When only employees' committees exist, the management delegates a representative to negotiate with these bodies, but he is not entitled to vote. Most of the plans provide for a general joint committee or conference committee representing both employers and employees, and for either joint subcommittees or subcommittees of employees' representatives alone. The conference committee deals with questions appealed from subcommittees or it may deal with questions not taken up by the latter.

Employee representation plans often guarantee that there shall be no discrimination because of race, sex, political or religious affiliation, or because of any action taken by the employees in their capacity as representatives. In some plans no protection is given against discrimination because of affiliation with outside labor organizations, while in others it is specified that "there shall be no discrimination by the company or by any of its employees on account of membership or nonmembership in any society, fraternity, or union." Some plans specify "any *lawful* union, society, or fraternity." The National Labor Relations Act, of course, has outlawed union discrimination within organizations engaged in interstate commerce, but there remain some companies which have not come within the scope of the law, so that discrimination is still possible in certain types of American organizations.

In conformity with provisions of the National Labor Relations Act, the regulations of such plans specify that the company shall bear none of the expenses necessary to the operation of the shop committee or works council. When these committees or councils are subsidiary agents of labor organizations, their expenses are borne by the union, otherwise the employees' association covers the cost of activity. When the meetings are held on company time the employees' representatives can no longer receive payment as if they were at their regular work if the work is interstate in character. In some cases the workers' representatives are paid out of an assessment made upon employees. In years past, often the expenses incurred in joint meetings were prorated between the company and the employees, each group defraying the expenses incurred by its own representatives. But the intimidation and discrimi-

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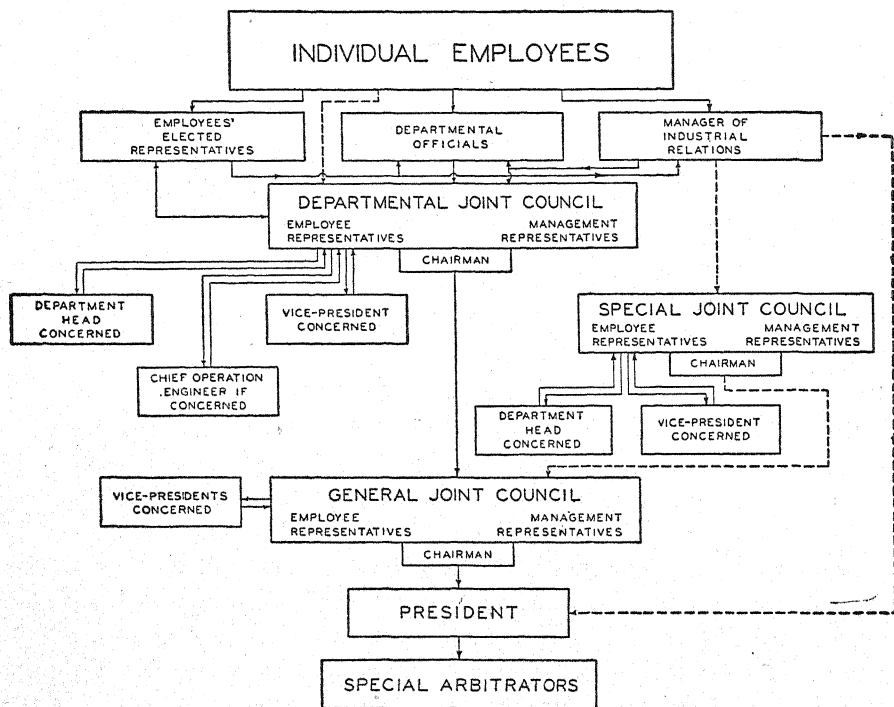
nation that such a practice made possible have been outlawed by recent legislation.

FUNCTIONS. When no shop committee system exists there is no organized communication between management and men that assures a square deal. Grievances arise through mistakes in wages or piece-work payments, because of the inelastic interpretation of shop rules, or because of autocratic and unjust treatment by foremen, who may be actuated by race prejudice, religious bias, or political antagonism. Representation plans provide an organized contact between the working force and management, and machinery is established for the hearing and adjustment of grievances and disputes. This is a major function of all such plans. Grievances are usually considered first by the workers' departmental representative and the foreman or by the departmental committee. Cases not adjusted by these agencies are referred to the plant committee. Failing adjustment at this point, they go to the president and possibly on to a board of arbitration or some other body. The detailed procedure provided for in a large company is indicated in Chart 28.

Working conditions are often regulated by council or committee action. The term "working conditions" here includes such matters as accident prevention, sanitation, ventilation, and hygiene. Shop committees and works councils, functioning through various subcommittees, perform remarkably constructive duties in the introduction of safety devices, the promotion of responsibility on the part of the workers to prevent accidents, the encouragement and maintenance of sanitary conditions, the provision and administration of medical attention, the control of lunchrooms and arrangement of meal hours, and the time for beginning and stopping work.

Limitation of output and antagonism of the workers to the introduction of improved methods, processes, and machines have always been matters of serious concern to employers. Co-operative and constructive activities are undertaken by shop committees and works councils to reduce waste in time, to eliminate the losses incurred by profligate waste of materials and equipment and the careless handling of machines, to reduce labor turnover, and to devise methods of stabilizing

CHART 28
ORGANIZATION AND OPERATION OF AN EMPLOYEE
REPRESENTATION PLAN



SOURCE: Adapted from National Industrial Conference Board, *Collective Bargaining through Employee Representation*, op. cit., p. 81. Reproduced by permission of the N.I.C.B.

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employment and increasing efficiency of production throughout the works. Suggestions are also made for the improvement of plant processes.¹⁰ Giving the men a part in these various activities leading to efficiency has removed much of the suspicion and antagonism that existed when such matters were handled entirely by management.

Whether the shop committee is connected with a labor union or functions independently, such questions as hours of work, wages, arrangements for holidays, schedule of shifts, night work, and overtime are under its control and administration. In fact these are the fundamental objectives of collective bargaining. Industrial peace and good will are hardly possible when these matters are not the objects of collective agreement.

In mines and plants situated in remote localities where the workers live in company houses, there is great need for the provision and proper supervision of housing and home conditions, co-operative buying, medical aid, community sanitation, transportation, educational facilities, church organization, legal aid, financial advice, and Americanization. Workers' committees acting in co-operation with management are able to secure many desired improvements in the community life. Committees often have charge of the administration of plant insurance, pensions, sick benefits, and profit-sharing schemes. Modern progressive personnel policies are recognizing the fact that industrial interest and good will are stimulated by giving the workers a voice with management in the planning, financing, and administering of these plant institutions.

For some time employers have recognized the need for a scientific selection, placement, supervision, and maintenance of the working force. Still too often, however, important matters of shop discipline, hiring, promotion and discharge, dilution of labor, regulation of apprenticeship, absenteeism and tardiness, and selection of foremen are considered without regard for the wishes and reactions of the workers. Self-imposed discipline is more effective than discipline imposed from above. If the workers make or help to make rules regulating shop conduct, efficient administration of these matters is likely to result. In

10. For a discussion of the practical results of a representation plan undertaken by the Baltimore and Ohio Railroad, see pp. 626-8.

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most establishments the appointment of foremen is retained by the management, although in a few cases, either directly or indirectly, the workers have a voice in their selection.

Corporations have become vitally interested in the improvement of the technical knowledge and general education of their employees. Such interest is the product of a conviction that there is a direct connection between knowledge and efficiency. Corporation schools are now common. Dissemination of knowledge concerning production costs, selling costs, financial risks, and other matters tends to promote better understanding between employers and employees. The plant magazine, lectures, moving pictures, and study classes are giving desirable results under joint administration.

Thus far representation plans have not delegated to the workers a voice in the formulation and control of managerial and business policies. Only in very rare cases are workers given representation on the board of directors. Complete democratization of industry would, of course, mean that not only capital and management but also labor would have a voice in the financial and business policies of the enterprise.

NECESSARY PRECAUTIONS IN INTRODUCING REPRESENTATION PLANS. It is now generally conceded that many shop committee systems have failed because necessary preliminary precautions were not taken. In the past the plans have usually been conceived by the companies and presented to the workers for a vote of acceptance or rejection. Some concerns have proceeded more cautiously and have called in representatives of the workers to aid in the formulation of the system. This has tended to remove suspicion of domination and to develop a sense of responsibility at the outset. Preliminary education and publicity have been found necessary to acquaint the workers and executives with the nature and functions of the scheme and the duties, responsibilities, and privileges that it provides. Attempts are made to adjust the plan to the needs and conditions of the plant. Employers have learned that wage earners do not want charity but justice and that they will react favorably to a fair proposal for participation in the control of industry. Behind such plans, therefore, there must be a sincere desire to give the workers a real voice in

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management and a willingness to accept the logical developments that follow. If the employees have any reason for suspecting intimidation, the employer must expect the workers to take such complaints to the proper authorities.

ORGANIZED LABOR'S OBJECTIONS TO EMPLOYEE REPRESENTATION. Workers are convinced that shop committees are usually created by the employer and may be abandoned by him whenever they function against his interests or tend to develop among the workers a strong desire for independent unionism and control. Organized labor generally opposes plant systems of joint control for a number of reasons. It is urged that true collective bargaining presupposes the unrestricted right of the workers to elect representatives free from the company's influence, but employers, "through campaigns of intimidation and election fraud, load their company-union committees with bosses, usually to the point of a majority." Collective bargaining is based fundamentally upon free speech, free assembly, and free association. Free and independent organization and meetings are impossible under plant representation plans, and this situation, it is contended, prevents aggressive action by the workers. Labor has observed in the past that companies ordinarily discharged in summary fashion those committeemen who dared to make a stand in behalf of the workers. Being unorganized, the men were powerless to defend their representatives. Committees have thus degenerated into tools of the company and become deaf to the interests of the workers. Employers safeguard their interests by employing the best brains available, and it is necessary for the workers to have experienced leaders to deal with these experts. Under company unions this is impossible because no association with trade union officials takes place. Thus the company reserves for itself a right that it denies to the workers.

It was pointed out in Chapter 17 that the company-dominated union is viewed by organized labor as a useless institution in establishing desired scales of wages, hours, and conditions of employment. Isolated from other groups of organized workers, lacking funds, supinely obedient to the company's dictation, the company union is unable to protect the interests of the workers. It is contended that the company diverts the activities of the committees and councils from the real objects of collec-

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tive bargaining, such as wages, hours, and conditions, and directs them into such channels as safety-first movements, problems of efficiency, and benefit schemes. On the basis of these objections American trade unionism condemns all such company unions and advises its membership to refrain from participation therein. The right of collective bargaining through trade unions is demanded.

It should not be inferred from the above that American labor organizations are opposed to plant representation in principle. At its 1918 annual convention the American Federation of Labor went on record as favoring a regular arrangement whereby a committee of workers, in all large permanent shops, would meet regularly with the shop management to discuss matters of production and other questions. Such a committee would carry beyond the foreman and superintendent to the general manager or to the president any important grievance arising over wages, hours, or conditions. But these committees must be founded upon the right of the workers to organize into trade or industrial unions and to bargain collectively without discrimination. In other words, shop committee systems functioning in conjunction with independent unionism are favored.

SUCCESS OF REPRESENTATION PLANS IN THE UNITED STATES. Experience with employee representation plans in the United States has been varied, but on the whole employers have reported favorable results. Investigations show that many of these plans have ceased to function, many others have functioned only to a limited extent, while a goodly number have continued to operate with unusual success. Generally speaking, employers have endorsed the representation systems. It is pointed out that with few exceptions the workers have chosen intelligent, fair-minded, and conservative representatives. In most cases the committees seem to have operated fairly and constructively. The schemes which have been devoid of "company domination" have been lauded as creating a feeling of mutual confidence, good will, co-operation, and loyalty. In some cases, however, unrest has increased rather than diminished under the committee system. On the whole, industrial unrest seems to have been less common and less serious where representation plans have been introduced in a proper spirit. Increased pro-

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duction, reduction of labor turnover, and improved methods of operation have resulted in some establishments. On the other hand, many employers superficially condemn such schemes as a surrender of individualistic action in the control of industry and as a step toward socialism.

The introduction of shop committee systems does not imply true democratization of industry, since management usually retains the veto power and does not permit the workers to share in the general control of the enterprise. It is difficult to determine the extent to which workers desire the responsibilities of management. At times it appears that they wish merely to have a voice in the determination of wages, hours of work, conditions of employment, and the adjustment of minor grievances. Signs are not lacking, however, that a fuller measure of control is desired and that a thorough democratization of industry is the ultimate goal. One thing is certain: a greater degree of democratic control is needed than is afforded at present in many of our great industries.

WORKS COUNCILS AND TRADE UNIONS IN THE SCHEME OF DEMOCRATIC CONTROL. The relative effectiveness of works councils and trade unions in achieving democratic control has given rise to considerable discussion. The advantages of the trade union over the works council develop largely from the fact that the former is integrated with other craft groups into national and international organizations and into comprehensive federations of labor that enhance both its industrial and its political power, while the latter is restricted to the employees of a given establishment or at most of several establishments owned by the same corporation.

Independent trade union organizations provide officers and business agents whose function it is to negotiate with employers with regard to trade agreements and their enforcement. These men and women are skilled in the art of negotiation and through trying experiences have learned to deal effectively with recalcitrant employers. They are influential and powerful when supported by a well-organized group because they are independent of any employer. Works councils are not likely to provide such expert advice and counsel for the workers in their joint conferences with the representatives of management, who

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usually are much better educated and more skillful than workers' representatives.¹¹

If it were possible for the employee council to provide expert representatives to deal with management, it would still remain almost powerless to enforce the demands of the workers or to defend itself against autocratic administration. The council has no comprehensive organization to match the power of a corporation of any size and no strike funds to help support its members in case of a walkout. It is quite otherwise with the labor union, the integrated structure of which is often sufficient to challenge the power of great corporations and whose strike funds may be considerable. The trade union, moreover, is often able to standardize wages, hours, and conditions in a whole industry, thus safeguarding both the employers and the wage earners from the evil effects of cut-throat competition.

Isolated as they are, with no attempt at federation, employee associations are practically helpless in promoting improved labor legislation and safeguarding labor's interest on the political field. Labor organizations, either directly through their own political parties or indirectly through other parties, are able to obtain legislation designed to advance the interests of the wage-earning class. Except in very large corporations, moreover, members of works councils have little or no assurance of sickness, disability, unemployment, and old-age benefits, whereas members of independent trade unions frequently obtain such assistance from their organizations.

It would seem, therefore, that from the standpoint of the wage earner the works council or shop committee functioning independently of a regular trade or industrial union is a comparatively weak agency in the matter of collective bargaining and general social advancement. The employer, of course, finds in the works council a type of joint control much to his liking because it is likely to be subject to his wishes. There is reason to believe, however, that beneficial results have issued from the shop committee movement, for both the workers and

11. See B. M. Selekman and Mary Van Kleeck, *Employees' Representation in Coal Mines* (New York, Russell Sage Foundation, 1924), pp. 188, 189, and Mary LaDame, *The Filene Store*, chapter 23.

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the employers. The movement has undoubtedly tended to make trade unions less autocratic and more rational in their dealings with employers. Employers, on the other hand, have had an opportunity to discover the true value of collective bargaining and to see how rational and constructive wage earners can be in matters of joint determination. As a medium of dissemination of information concerning the promotion of health, the prevention of accidents, changes in technical processes, and similar problems, the works council is a welcome addition to the organization of any establishment. Unionism can learn much from the functioning of the best shop committees. Special students of industrial relations, however, are quite agreed that the works council must be accepted as a supplement to rather than a substitute for independent trade unionism, if the best interests of the working class are to be protected. The cause of industrial democracy would probably be best served in this way.

Questions for Class Discussion

1. What is employee representation? Illustrate each of two different forms in which it has been practiced in this country. Are works councils special forms of employee representation?
2. Describe the actual workings of some present-day works council. Does the representation plan of the Nunn-Bush Shoe Company center around a works council system?
3. Can you justify, from the economic viewpoint, the results of the white-button steward system of the Chrysler Corporation in the fall of 1939? From labor's own viewpoint to what does such a system lead?
4. Compare and contrast the Whitley system of England with the typical American system of joint relations.
5. Trace the development of New Deal legislation affecting the processes of collective bargaining. Why were these guarantees and changes in bargaining strength so tardy in taking place? Did employers view them with favor? Did employees welcome them?
6. Describe the possible ways in which a problem of an individual employee might be carried all the way through an employee representation plan to an impartial arbitrator.
7. Are employee representation plans lawful under the National Labor Relations Act?

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8. Summarize labor's objectives to employee representation. Formulate what you believe to be the type of representation plan least objectionable to labor. To the employer.

9. Are works councils and other forms of employee representation a step in the direction of industrial democracy?

10. In view of present-day developments in the field of industrial relations, set forth what you consider will be the future of employee representation in the United States.

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Chapter 26

EMPLOYERS' ASSOCIATIONS

¶ REASONS FOR EXISTENCE. The discussion of labor organizations in Part IV suggests that one of the most significant developments in industrial relations during the past century was the profound consciousness of group interests and solidarity among wage earners. This consciousness, which was the product of industrial experiences, found objective expression in organization and collective bargaining. A conception of common interests grew much more slowly among employers, but such a development was inevitable in view of the growing power of unionism. The rapid growth of employers' associations since 1885, and especially during recent decades, is one of the outstanding features of the history of industrial relations in America. Moreover, similar movements have taken place in other advanced industrial nations. These associations are formed for the primary purpose of dealing collectively with or resisting organizations of employees, but their functions are not confined to these activities.

DEVELOPMENT. An employers' association is a group of employers or their representatives organized for the purpose of promoting their mutual interests in labor matters.¹ It is not a new institution in our industrial system. Indeed, it is almost as old as the trade union itself. Like the latter, the early associations of employers were of an ephemeral nature, springing into existence during periods of pronounced trade union activity, such as the 'thirties and 'sixties, and subsiding when this activity declined. In recent decades, however, employers' associations have assumed a permanent character and now hold a position in the

1. See Clarence E. Bonnett, *Encyclopaedia of the Social Sciences* (1932), vol. 5, p. 509.

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field of industrial relations no less important than associations of employees. Their financial power is far greater than that possessed by organized labor. Great refinements in the structure, policies, methods, and financial status of these organizations have made them effective in dealing with unionism, even though recent legislation has necessitated a major change in tactics if not in policy.

The collective action of wage earners during the late eighteenth and early nineteenth centuries was met by similar action by employers. Thus we have record of the "Society of Master Cordwainers of the City of Philadelphia" in 1789, while in Boston the merchants and shipowners formed associations to "discountenance and check the unlawful combination formed to control the freedom of individuals as to the hours of labor and to thwart and embarrass those by whom they are employed and liberally paid." The leather dealers and the employing leather dressers of New York City formed associations for the same purpose in the decade of the thirties. Like the unions of employees, these early associations first emerged in the larger industrial cities where competitive conditions were fairly uniform and community of interests were not difficult to recognize. The early trade associations of employers confined their efforts largely to the promotion of social and educational activities, the securing of legislation designed to aid their particular trades, and, occasionally, to the restriction of competition and regulation of prices.²

The numerical strength of employers' organizations was relatively insignificant until the period of business revival and industrial expansion following the Civil War. This is accounted for by the fact that prior to the reconstruction period the labor movement consisted chiefly of local organizations more or less unrelated to one another. As the unions gained in numerical strength, established interrelations, formulated a definite and aggressive program, and harassed employers, the latter sought protection in unified action and formed associations to offset the work of the unions. Because the competitive area was predominantly local, it was natural that the early employers' associations,

2. J. H. Hollander and G. E. Barnett, *Studies in American Trade Unionism* (London, Hodder, 1906), p. 186.

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like the early trade unions, should be local. In 1864 the iron founders of Chicago chose to protect their interests by organizing the Iron Founders' Association, which conceded the right of wage earners to organize but refused to admit interference by labor organizations in the administration of the employer's business. Similar local associations were established in the building trades, in which sympathetic strikes and union jurisdictional disputes resulted in serious injustice to contractors.

As the economic competitive area widened into national scope and the local trade unions were united either by a process of amalgamation or by federation into national organizations, the national employers' association became a reality. Beginning with the organization of the United States Potters' Association in 1875, a number of important national associations were created, including the Stove Founders' National Defense Association (1886), and the National Metal Trades Association (1899).³ Between 1895 and 1900 the unions of the building trades were federating into local building trades councils, and their frequent use of the sympathetic strike paralyzed construction in cities; in Chicago twenty-three such strikes occurred during the erection of a single building. The menace of the sympathetic strike forced the employers to federate their local associations. Consequently there appeared such influential organizations as the Chicago Building Contractors' Council, the New York City Building Trades Employers' Association, and the National Building Trades Employers' Association.

In 1895 the National Association of Manufacturers was formed.⁴ While its primary purpose is the promotion of export trade, it has played an important role in industrial relations. This association was responsible for the organization in 1903 of the Citizens' Industrial Association of America, the definite program of which was the opposition to organized labor. Soon thereafter local "Citizens' Alliances" sprang up in various cities. These comprised employers and other citizens who wished to defeat the forces of organized workers. In 1902 the

3. W. F. Willoughby, "Employers' Associations for Dealing with Labor in the United States," *Quarterly Journal of Economics*, vol. 20, November, 1905, p. 115; and Hollander and Barnett, *op. cit.*, p. 194.

4. *Report of the Committee on Education and Labor*, U. S. Senate, "Labor Policies of Employers' Associations," part i.

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American Anti-Boycott Association was created for the purpose of attacking labor through the courts. In 1907 the National Association of Manufacturers formed the National Council for Industrial Defense for the purpose of fighting labor legislation in Congress and the state legislatures. In 1919 the name of this organization was changed to the National Industrial Council. State associations of manufacturers, such as the Illinois Manufacturers' Association, have been created. They not only promote trade interests but oppose organized labor and defeat labor legislation. Practically every important industrial city has its local employers' association. The United States Chamber of Commerce and its constituent state and local organizations naturally manifest a prejudice in favor of organized capital.

From the close of the World War in 1918 down to the effective application of collective bargaining legislation in 1937, employers made an unprecedented effort to marshal their forces in the fight against unionism and the union shop. Among the new important organizations that developed during this period are the National Industrial Conference Board, created in 1916 for the purpose of collecting information and giving expression to the voice of employers on vital problems affecting their interests, and the Associated Industries of Cleveland,⁵ organized in 1920 for the purpose of promoting and maintaining the "open shop" for employers in and around the city of Cleveland. Membership in employers' organizations has fluctuated greatly, the periods of growth and decline corresponding roughly to fluctuations in union membership and power.⁶

TYPES OF ORGANIZATION. Employers' associations tend to become co-extensive with labor organizations. The local trade unions are paralleled by the local trade employers' association, the city central or city federation of labor by the general employers' association, the state federation of labor by the state employers' association or the manufacturers' association, the national and international trade union by the

5. Original name was "American Plan Association of Cleveland."

6. See A. G. Taylor, *Labor Policies of the National Association of Manufacturers*, University of Illinois Studies in the Social Sciences, vol. xv, March, 1927, pp. 18, 19.

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national and international employers' association within the trade, and the general federation of labor by the national association of manufacturers. There are not only local, county, state, interstate, and national associations of employers within a given trade, but geographic divisions are found in the case of general employers' associations comprising employers from various trades. In prominent instances, as coal mining, where industrial unions are organized, the associations of employers take on an industrial form. It has been suggested that in addition to this structural parallelism there is a functional parallelism. Hence one may find business, uplift, and predatory types of employers associations.⁷

Classified according to their general purposes, employers' associations may be divided into two groups, namely, *bargaining associations*, or those organized primarily to deal collectively with unions, and *militant associations*, or those created to oppose collective bargaining and to discredit and defeat unionism. The first group represents a logical complement to unions of employees, since true collective bargaining can take place only when both employers and workers are organized into associations of comparatively equal strength, and peaceful negotiation is the normal method of settlement. For many years joint agreements have been concluded between associations of employers and trade unions in the building trades, the printing trades, the coal-mining industry, the maritime industry, and numerous other trades and industries in the United States and other countries. Associations of employers in many of these trades have adopted the permanent policy of recognizing the right of the workers to organize and bargain collectively and of co-operating with trade unions in establishing fair wage scales, reasonable hours, and desirable conditions of work. Occasionally such associations resort to the lockout as a means of safeguarding their interests.

The militant employers' association is a comparatively recent type of organization affecting the American labor movement. This type is conservative, individualistic, and belligerent. Formed originally for the purpose of dealing collectively with powerful trade unions, many of these associations have assumed a hostile attitude toward unionism

7. *Ibid.*, p. 11.

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only after the failure of joint agreements. This was true, for example, of the National Metal Trades Association and the National Founders' Association, both of which had agreements with the national unions in their respective trades. Until 1937 an increasing number of these associations was formed with the definite purpose of crushing unions. Attempts to democratize industry through trade unionism were rejected. They functioned to "establish and maintain liberty of contract" and to safeguard the employer's absolute right to run his business as he sees fit. These associations usually oppose the union shop, strikes, and trade agreements, and devote their efforts to procuring "suitable employees" for members through free employment offices and establishing the open shop or so-called "American plan."⁸ This type of association frequently announces that it has no objection to labor organizations as such, but it invariably opposes them whenever they show signs of life and aggressiveness.

Prominent among the associations hostile to organized labor have been the National Metal Trades Association,⁹ the National Founders' Association, the National Erectors' Association, the League for Industrial Rights (formerly the American Anti-Boycott Association), the National Association of Manufacturers, and numerous citizens' alliances.¹⁰ The United Typothetae of America represents in the printing industry a divided organization having negotiatory and belligerent divisions in its closed and open shop branches. There are many associations of employers that have no positive functions such as collective bargaining, or negative functions such as those claimed by hostile associations, but exist merely for incidental activities of fellowship. The National Civic Federation, often discussed in this connection, was organized in 1910 as a mediatory association consisting of employers, union officials, and others interested in constructive industrial progress.

8. For a full discussion of the "American plan" open shop movement in the United States, see *Report of the Committee on Education and Labor, op. cit.*, part ii, pp. 12-23.

9. Since July 20, 1937, the policy of this association is said to have been changed to one of conciliation and adjustment. (However see page 829.)

10. For a complete list of members of the American Plan Open Shop, see *Report of the Committee on Education and Labor, op. cit.*, pp. 217-9.

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This organization functioned largely as an intermediary during the early days of the New Deal, but recently it has become increasingly anti-union.

GOVERNMENT, METHODS, AND POLICIES. Employers' associations have borrowed largely not only from the structure of labor organizations but also from union methods and practices.

Almost every important feature of trade union organization finds its counterpart in the employers' organizations. Each attempts rigidly to control the action of its members in respect to the inauguration or settlement of trade disputes. Each has its defense fund and aids financially and in other ways the member involved in a dispute resulting in a cessation of work. While the trade union seeks to limit the opportunities for employment to a body of men professing its principles, the employers' organization, through its employment and registration systems and the giving of certificates of recommendation, attempts to secure another labor force that will make it independent of such union labor. Just as the unions also have found it necessary to employ salaried business agents, or "walking delegates" . . . so employers' organizations have their commissioners with analogous functions.¹¹

The strike, boycott, picket, unfair list, and union shop are met with the lockout, injunction, employment and registration bureau, and open shop.

The form of organization is not unusual. The local trade association consists of employing firms in the trade, while the general association draws its membership from miscellaneous trade associations and individual firms. Administrative authority is usually vested in a council consisting of the major association officers and certain delegates. The executive work is done by a commissioner, business agent, executive secretary, or salaried official who investigates difficulties and sets in motion the machinery of adjustment or defense. In the case of national trade associations the country is divided into a number of districts each having a chairman, vice-chairman, and committee.

Employers' associations hold inviolate the right to hire and fire, and they often wage uncompromising war upon the union shop. It is claimed that the employer must be free to employ whom he will at wages mutually satisfactory, without interference on the part of indi-

11. Willoughby, *op. cit.*, pp. 143, 144.

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viduals or organizations not parties to the contract. Labor unions as such are not objectionable even to the militant employers' association, provided there is no insistence upon the right of collective bargaining and the use of the unfair list, strike, and other "illegal methods." There is to be tolerated no infringement upon the personal liberty either of employer or of employee, no restriction of output, no limitation to the number of apprentices, and no interference with the management of the enterprise. It is insisted that the employer be free to determine the number of apprentices, helpers, and handymen for his establishment, that he enjoy the untrammelled right to introduce his own methods of industrial remuneration, whether time wage, piece wage, premium plan, or contract work. Moreover, employers must be free to introduce whatever new machinery and appliances are deemed necessary to greater efficiency. Provided these fundamental principles are not compromised, there is a willingness on the part of employers' associations generally to agree to arbitration either by an impartial outside arbitrator acting alone or by a board of joint representatives of employers and employees with an impartial chairman. Negotiatory employers' associations, of course, often accept the union shop and often co-operate in maintaining it through the enforcement of the labor agreement.

To make their associations effective, employers have found it necessary to accumulate financial reserves, to adopt systematic tactics of defense and aggression, and to introduce methods of discipline. The associations require an initiation fee and annual dues and assessments for emergencies, which vary in amount. When a member is engaged in a fight for the open shop or the defense of some other principle proclaimed by the association, financial aid is given him either directly or indirectly. Banks are often induced to refund interest on loans during a strike, and efforts are made to persuade owners not to enforce penalties for failure to complete building structures or other contract work on time. Direct compensation is given in the form of a "strike benefit" paid from an accumulated reserve fund set aside especially for fighting organized labor.

Other means of aiding needy members consist of taking unfilled orders from the shop which is on strike, having the work completed in

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the establishments of other members of the association, and sending the finished products out under the name of the plant that is having trouble with labor. Under such circumstances the profits are refunded to the owner of the shop in which the strike is occurring. Employees who are not members of the union and not on strike are taken from the shop where no strike has been called and placed on work in the establishment where there is trouble. These so-called "independent men" are engaged on a yearly contract for just such a purpose and often prove effective strikebreakers. The associations often solicit special orders for shops having labor trouble in order to assure success in the fight by maintaining output.

To assure an adequate supply of nonunion labor, associations operate their own employment bureaus and issue certificates of recommendation to "suitable employees." There is no objection to such agencies for the recruitment of labor, although such a function can be performed best by the public employment service, which is free from prejudice and not motivated by selfishness. It is to the system of registration and certificates of recommendation that organized labor has objected. In the past an elaborate system of card files has been maintained containing the record of each employee engaged in the establishments of members of the association. This is a valuable aid to employers in so far as it gives them the employment record and qualifications of employees within the trade. The evil of the system has arisen when an association which is openly opposed to labor organizations issues certificates of approval only to those workers who have no affiliation with unions and who are so tractable as to accept undesirable conditions of employment without protest. Discrimination may thus be exercised against an efficient worker for no other reason than membership in a trade union, a right which the employer claims for himself by reason of his membership in the employers' association. The National Labor Relations Act has corrected many of these evils, yet a surprising number continue to exist.

There are many other ways in which organized employers make their principles and policies effective. Frequently aid is refused to members who operate under closed shop agreements, advertisements are

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withheld from newspapers friendly to unions, and strong union leaders are persuaded to abandon leadership in the labor movement for more lucrative positions with employers' associations. Forceful and subtle practices are often adopted to destroy unionism. Employers have sometimes detached workers from their unions by forcing them to sign individual contracts which provided a penalty of loss of unsettled wages in case of a strike, used an espionage system or detective service to watch union movements and to ferret out employees who were actively engaged in union activities, and actually organized their own company unions which were strictly amenable to their wishes and constituted a supposed substitute for independent labor organizations.¹²

In times of strikes employers' associations manifest considerable vitality. Strikebreakers are furnished to members, wide publicity is given the use or alleged use of intimidation and violence by labor unions, and public authorities are influenced to sanction the use of local police, deputy sheriffs, state constabulary, or state militia to suppress real or threatened violence. Organized employers persistently attack unions through the courts in an attempt to eliminate "criminal union activities" and indirectly to drain the financial resources of these organizations and destroy their effectiveness. There is a constant stream of propaganda against unionism in general.

Employers' associations carry their fight into the political field. They endeavor to assure the election of legislators who are friendly toward organized capital and have a distinctly conservative point of view, and they maintain effective lobbies in state legislatures and in the federal Congress. Not the least important of their activities is the promotion of educational campaigns and the free and widespread distribution of literature setting forth the merits of freedom of contract and the open shop. Their representatives address college classes and other groups, before which they invariably reveal the radical and bolshevistic tendencies of unions and explain how employers' organizations are functioning in behalf of the "free worker and the public."

12. See the LaFollette Committee hearings pursuant to *Senate Resolution 266*, Committee on Education and Labor, Washington, D.C., 1937-1940, some of the findings of which are summed up in a later section of this chapter.

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EXAMPLES OF SUCCESSFUL EMPLOYERS' ASSOCIATIONS. The employers' association still remains so important a force against the formal organization of labor that it will be well to review briefly the labor policy of a few of the more important national bodies.

1. *The National Association of Manufacturers.* The National Association of Manufacturers, self-termed the "voice of American industry," was organized at Cincinnati in 1895 and incorporated under the laws of New York in 1905. It was established principally for the promotion of trade, especially foreign trade, but it has a very definite labor program and probably has been organized labor's most powerful antagonist. The association comprises manufacturers, who are active members, and others who are associate members. It achieved its greatest strength in 1921, when there were over 5000 members. This number had declined by 1938 to a little over 3000, which represents a loss of approximately 40 per cent in seventeen years. In addition, of course, the N.A.M. has direction of the National Industrial Council consisting of some 300 national, state and local industrial associations representing between 30,000 and 35,000 manufacturers employing from 4,500,000 to 5,000,000 persons. In other words, employers connected with the N.A.M. hire between one-third and one-half of the persons employed by the manufacturing industry in the United States.¹³

The aggressive labor policy of the N.A.M. dates back to 1903, when, because of the growing power of the A. F. of L., its co-operation was sought in the fight against the union shop, boycott, strike, and exemption of labor unions from prosecution under the Sherman Anti-Trust Law and from liability to injunctive action by the courts. Although the association was not eager to divert its energies from the channels of trade promotion, it was instrumental in assembling a conference of employers' associations and citizens' alliances out of which in 1903 developed the Citizens Industrial Association of America, the general purpose of which was to wage war on unionism.

This organization did not prove satisfactory, so in 1907 several powerful employers' associations, assisted by the N.A.M., organized the National Council for Industrial Defense, which in 1917 became known

13. *Report of the Committee on Education and Labor, op. cit.*, part iii, p. 3.

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as the National Industrial Council. The real purpose of the council is to oppose labor legislation in Congress and in the state legislatures and to fight the "vicious labor trust." In reality it is the legislative and political wing of the National Association of Manufacturers. The N.A.M. has, however, seventeen standing committees, three of which (Economic Security, Employment Relations, and Industrial Practices) are responsible for the association's activities in behalf of the open shop and against the strike, boycott, and most forms of labor legislation.¹⁴

Since the enactment of legislation (both federal and state) protecting labor in the exercise of its right of collective bargaining, the attitude of the N.A.M. toward labor unions has become more tolerant. This is clearly indicated in *Industry's Platform for 1938* in which the principles relative to labor relations are set forth:¹⁵

To further improve employment relations the N.A.M. advocates specific employer procedures to promote co-operation between management and employees and thus achieve employer-employee harmony.

1. The right of individual employees to seek, secure and retain employment without regard to membership or non-membership in any organization and to bargain individually.
2. The right of employees to bargain collectively, either directly or through voluntarily chosen representatives, and to determine the form of their own organization for collective bargaining.
3. The right of employees and employers to form organizations for their mutual advantage.
4. The right of employees and employers to consult freely with each other.
5. The exercise of all these rights without coercion from any source.
6. In the process of bargaining, whether it be collective or individual, either party should be free to accept or reject proposals made by each other, provided only that there should be a genuine effort on both sides to reach a mutually satisfactory arrangement.
7. No employer should be penalized for failure to deal with any labor organization organizing, supporting, or maintaining a strike for illegal purposes, or by illegal means among his employees.

14. See *Encyclopedia Americana*, vol. 19, p. 725.

15. From *Industry's Platform for 1938* as adopted by the Congress of American Industry, 42nd Annual Meeting, New York, National Association of Manufacturers, Dec. 8, 1937.

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8. Employment, promotion and retention of employees on the basis of merit with due regard for length of service.

9. Legal and social responsibility of both employers and employees for their commitments and their acts.

At its forty-fourth annual convention, held in New York in December, 1939, this note of employer-employee co-operation was again voiced. Thus in theory at least the association recognizes the right of workmen to organize and bargain collectively, but it still insists upon the unbridled right of the employer to run his business as he sees fit and to employ whomever he wishes for wages and under conditions that are deemed mutually satisfactory. Dictation by unions is opposed, as are limitations upon apprenticeship and output. Strikes and lockouts are disapproved, and an amicable adjustment of industrial disputes is desired, provided the rights of all concerned are safeguarded.¹⁶ It opposes child labor and sweatshops and favors the enactment of adequate safeguards against these devices. All legislation not in accord with these principles is opposed, and as a protection the association functions through its own experts, through state and local manufacturers' associations, through divisions of the parent body, and through numerous other industrial organizations. Its propaganda is effective among the employing class, and its industrial and legislative power is unmistakable, due largely to its financial strength. The association co-operates closely with other militant employers' organizations and endeavors to integrate the structure of such institutions through the National Industrial Council.

2. *The League for Industrial Rights.* The League for Industrial Rights was organized in 1902 as the American Anti-Boycott Association, the purpose of which was to attack organized labor through the courts and to "maintain law and order and individual liberty in the field of industrial relations." During the first fifteen years of its existence the league had a comparatively small but loyal and persistent membership. With the serious labor problems of the postwar and recon-

16. Cf. National Association of Manufacturers, *Model Employment Procedures* (pamphlet), New York, August, 1939.

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struction periods straining industrial relations, its membership and power have increased. It is now regarded by employers as one of the chief sources of information concerning the legal and constitutional phases of industrial relations. The league, moreover, advises its membership relative to the most helpful ideas and experiments in improving these relations. Its activities are nationwide. Among the most decisive legal victories that the league has won for employers are the Buck Stove and Range Company case (1907), the Danbury Hatters' case (1908), and the Duplex Printing Press Company case (1921).¹⁷

The league has maintained an effective lobby in Washington for the prevention of legislation exempting labor from antitrust laws, abolishing injunctions, repealing the law of conspiracy, and otherwise limiting the power of the courts. It seeks to have enacted laws to "maintain the supremacy of government and protect the interests of society," to establish the responsibility of unincorporated associations (chiefly labor organizations) under the law by giving them the capacity to sue and be sued, and to make it illegal for any organization to use its influence, resources, and machinery to carry on industrial warfare except as a last resort. It would also forbid policemen and firemen from engaging in a strike or joining a labor union and would provide that conditions of employment on public utilities be regulated by disinterested agencies, and it endorses the prohibition of strikes and lockouts which hinder transportation. In the past the league has protected employers from union interference by drawing up specific contracts and formulating constitutions, by-laws, and policies for shop committee systems designed to keep out unions. It is constantly active in safeguarding the employer and the nonunion workman "against the vicious practices" of trade unions. Its official organ is *Law and Labor*.

3. *The National Founders' Association.* The National Founders' Association was formed in Cincinnati in 1898. The original purpose was to provide machinery for bargaining collectively with the Iron Moulders' Union of North America, which was organized in 1859 and had acquired considerable power in machine foundries. In 1899 the "New York Agreement" was made, which provided for the settlement of dis-

17. See Chapter 31.

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putes by a joint board consisting of an equal number of representatives of employers and employees. This agreement was abandoned in 1904 because of failure to agree on its interpretation. Since that time the association has operated independently of the union and under a policy of freedom of contract which is based upon the open shop principle.

The National Founders' Association insists upon the right of an employee to work regardless of his affiliation or nonaffiliation with a union, the operation of molding machines and improved appliances without restriction by labor organizations, freedom of apprenticeship, liberty of the employer to run his business as he pleases, a fair day's work for a fair day's pay, and no limitations on the employer's method of industrial remuneration. The association has furnished strikebreakers for its members, given its members financial aid, and made provision to have work done for them in other shops. A bonus and a certificate of loyalty are usually given to strikebreakers in the employ of the association. No member of the association is allowed to make a settlement with his workers without the consent of the administrative council. In the past an effective blacklist has been made against those workers who have gone on strike, so that a person who has been on strike in the plant of one member of the association is unable to secure employment in the plants of other members. This practice, however, has largely disappeared with the enforcement of the National Labor Relations Act.

The executive work is done by the commissioner, a salaried official who is appointed by the administrative council. The commissioner, who is the business agent of the association, corresponds to the business agent of the trade union. The annual dues of \$50 formerly required by the organization have been abolished, but each member contributes to the reserve or defense fund and pays regular and special assessments to aid the work. Assessments for strike benefits have been one of the chief causes for resignations from the association.

The National Founders' Association, in common with other organizations of employers, keeps a representative in Washington to watch over legislation, and it has joined with other associations in fighting various forms of labor legislation and in securing the enactment of laws to benefit business. In conjunction with the National Metal Trades As-

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sociation, whose organization, aims, and policies are quite similar to the N.F.A., it publishes the *Open Shop Review*, through which it disseminates effective propaganda against unionism. A labor department is maintained for the purpose of recruiting skilled and unskilled workers. No charge is made for this service, and it has been a valuable agency in procuring workers to replace strikers.

4. *The National Erectors' Association.* The National Erectors' Association, which began its interesting career in 1903, is an organization of powerful employers in the iron and steel and building industries, whose chief business is the fabrication and erection of iron and steel structures. In common with the National Metal Trades Association and the National Founders' Association, the N.E.A. has developed from a weak negotiatory association into a belligerent organization largely because of the closed shop demands of unions. Both in its structural and its functional characteristics this organization is much less formal than many of the employers' associations. The effectiveness of the N.E.A. is attributed to its tenacious maintenance of the open shop and to the excellent work of its executive committee, especially its commissioner, who is the executive officer.

The major objective of the N.E.A. is set forth in Article III of the association's constitution: "The object of this association shall be the institution and maintenance of the open shop principle in the employment of labor in the erection of steel and iron bridges and buildings and other structural steel and iron work." Other objectives of the association are: (a) to keep its members advised on economic, legal, and legislative matters affecting their common purpose; (b) to give counsel and assistance in particular situations where the common interests of its members in connection with open shop operations are involved; and (c) to present the views and attitude of the association to state and national legislative bodies and to co-operate with the government and its agencies at different times when the situation affects the maintenance of its principles.¹⁸

Until January 1, 1939, the association maintained employment bureaus

18. From a statement of the counsel by special communication under date of December 15, 1939.

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in various cities throughout the United States for the purpose of furnishing labor for the use of its members in the erection of bridges and buildings. Men seeking employment registered at the bureaus, and members desiring workers applied to the bureaus. In theory, the use of the bureaus was entirely optional with both parties. No charge was made to either the workers or the members for the services. There was no discrimination as to membership or nonmembership in any organization in the registering of men, and no inquiries were made or records kept on any matter except as to their ability to fill the position for which they had applied. Because of recent legislative developments this service has been suspended.

The open shop principle, as interpreted by the Association, consists in the employment of workers without regard to their membership or nonmembership in any organization. The question of how future activities may be affected by existing laws has not been considered by the association's executive committee. The National Erectors' Association has never been opposed to the principles of unionism or collective bargaining. It does oppose the so-called "closed shop," or labor monopoly. Its members are presumed to deal with their men individually or collectively as the workers themselves may elect. The association believes that the National Labor Relations Act, with its guarantee of the right of collective bargaining and its machinery for enforcement, has removed all possible claim that a closed shop is necessary to enable workers to bargain with the employer upon an equal basis. It also believes that the closed shop is a labor monopoly contrary to fundamental American principles and that it involves the coercion of the worker contrary to the spirit of the Labor Relations Act. In actual practice, the closed shop is thought to lead to serious evils detrimental to efficiency and production and to become the chief support of profiteering leaders and racketeers in many industries.¹⁹

In the past the National Erectors' Association was undoubtedly the most class-conscious and belligerent association in the nation, although during recent years its activities have been quieted by national legisla-

19. National Erectors' Association, *Organized Labor and Collective Bargaining* (pamphlet). (New York. 1934). pp. 2-15.

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tion. In spite of its professed policies, as reviewed above, it has carried on relentless war against unionism on every side and has co-operated with every employers' organization in the industries with which it is identified, for the purpose of achieving its objectives.²⁰ It co-operated with the Federal Trade Commission in an investigation of labor racketeering in New Jersey, and the evidence secured by the association was later made available to the government and used in criminal prosecution. The organization also co-operated with the Federal Industrial Relations Commission in securing and presenting nationwide evidence upon which the commission's report was based. It has constantly fought the tendency of employers' associations in the building trades to accept the demands of local building trades councils for complete unionization, and it claims considerable credit for maintaining such open shop cities as Detroit and Los Angeles. The association favors compulsory arbitration of labor disputes affecting public utilities and, like other militant organizations of employers, fights organized labor not only in the industrial field but also through political activity, especially the legislative lobby.

5. *The Stove Founders' National Defense Association.* This organization, one of the oldest of contemporary employers' associations in the United States, was formed in 1886 principally for the purpose of opposing unions. After five years of militant effort it became conciliatory upon entering into a working agreement with the Iron Moulders' Union of North America, and ever since has represented a constructive attempt to solve the perplexing problem of industrial conflict. Its structure and methods of maintenance are similar to those of other prominent employers' associations.

Although the principles of the Stove Founders' National Defense Association might easily be interpreted as unfriendly to unionism, in practice it has provided elaborate machinery for the amicable adjustment of industrial disputes. The association has regularly held con-

20. A notable phase of the N.E.A.'s long and bitter struggle with the International Bridge and Structural Iron Workers was its war on the dynamiters of the *Los Angeles Times* and other buildings which culminated in the conviction of the McNamaras.

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ferences and made trade agreements with such labor organizations as the Iron Moulders' Union of North America and the Stove Mounters' International Union of North America. In these conferences wages, hours, and conditions of employment are decided upon and the methods of adjusting grievances and disputes are determined. The Stove Founders' National Defense Association is an excellent example of the important influence of collective bargaining upon industrial peace, and although it has had serious strikes to contend with and has had a definite policy of defense against them, it has pointed the way to improved industrial relations.

6. *The National Metal Trades Association.* The National Metal Trades Association was organized in 1899 during a period of increased employer activities in opposition to the growing strength of labor unions. In August of that year metal trades manufacturers in New York City and Brooklyn were faced with a strike among patternmakers, and in the months which followed the labor disputes spread to the plants of manufacturers in Chicago, Cleveland, and Patterson, New Jersey. This situation impressed upon the metal trades manufacturers the necessity for a national organization. Thereupon in March, 1900, a conference was called in Chicago to deal with the difficulties, and a national association was formed. This national group entered into an agreement with the International Association of Machinists, a trade union, under which the strikes were called off and a method for the arbitration of disputes was adopted.²¹

Then followed a long struggle between the union and the association. In May, 1900, the "Murray Hill Agreement" was reached between these two parties. It provided that within six months weekly hours of work would be reduced to fifty-seven, and within a year to fifty-four. The agreement also defined a machinist, allowed time and a quarter for overtime, regulated apprenticeship, outlawed strikes and lockouts during the life of the contract, and prohibited discrimination against union workers. But almost immediately relations between the International Association of Machinists and the National Metal Trades As-

21. *Report of the Industrial Commission*, "The Chicago Labor Disputes of 1900" (Washington, 1901), vol. iii, pp. 504-5.

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sociation were broken off over the disputed question of an increase in wage rates to compensate for the reduction in working hours as provided by the working agreement. The union maintained that the matter be settled on a uniform basis with the association, but the association insisted that it was a question to be settled locally. Finally, on May 20, 1901, the union (I.A.M.) called a strike for the nine-hour day with no reduction in pay. On June 10 the N.M.T.A. abrogated its contract with the I.A.M. and eight days later adopted its "Declaration of Principles" which, in substance, proclaimed the absolute control over all employees by the employer. This document declared the open shop to be the association's policy, and retained for the employer complete control over matters of wages, hours, discipline, and arbitrary discharge. The association still continues to operate under the provisions of this declaration,²² which states:

DECLARATION OF PRINCIPLES ²³

We, the Members of the National Metal Trades Association, declare the following to be our principles, which shall govern us in our relation with our employees;

1. *Concerning Employees.*—Since we, as employers, are responsible for the work turned out by our workmen we must have full discretion to designate the men we consider competent to perform the work. While disavowing any intention to interfere with the proper functions of labor organizations, we will not admit of any interference with the management of our business.

2. *Strikes and Lockouts.*—This Association disapproves of strikes and lockouts in the settlement of industrial disputes. This Association will not countenance a lockout, unless all reasonable means of adjustment have failed.²⁴

3. *Relations of Employees.*—Every workman who elects to work in a shop will be required to work peaceably and harmoniously with all of his fellow employees, and to work loyally for the interests of his employer.

22. According to a special communication from the counsel for the N.M.T.A.

23. *Report of the Committee on Education and Labor, op. cit.*, part i, p. 17.

24. This section was amended on July 20, 1937. Until then it read: "This Association disapproves of strikes and lockouts in the settlement of industrial disputes. This Association will not countenance a lockout, unless all reasonable means of adjustment have failed; neither will the members of this Association deal with striking employees as a body."

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4. *Apprentices, et cetera.*—The number of apprentices, helpers and handymen to be employed will be determined solely by the employer.

5. *Methods and Wages.*—The responsibility for management, methods and the production of our shops rests upon us, and no restriction upon these matters will be allowed. We will require proper production for proper compensation.

Employees will be paid by the hourly rate, by premium system, piece work, contract or other system, as the employers may elect.

6. *Freedom of Employment.*—It is the privilege of the employee to leave our employ whenever he sees fit and it is the privilege of the employer to discharge any workman when he sees fit.

7. *Concerning Disagreements.*—The above principles being absolutely essential to the successful conduct of our business, we cannot permit the operation of our business thereunder to be interfered with. In case of disagreement concerning matters not covered by the foregoing declaration and not affecting the economic integrity of the industry, we advise our members to meet such of their employees who may be affected by such disagreement and endeavor to adjust the difficulty on a fair and equitable basis.

8. *Equitable Wages.*—In the conduct of our business and in the payment of wages, by whatever system, this Association will not countenance any conditions or any rates of compensation which are not reasonable and just or which will not allow a workman a proper wage in proportion to his efficiency and productiveness.

These are harsh principles for the worker who is granted only one privilege—that of quitting work. "In all other aspects of employer and employee relations," the United States Senate Committee on Education and Labor points out, "the will of the former is dominating. The worker must accept whatever wages, hours, methods of payment, and other working conditions that the employer imposes upon him. The employee is expected to 'work loyally for the interest of his employer' without any corresponding obligation on the part of the employer and with no established method whereby just and equitable conditions of employment can be obtained. Again, if the employee finds that his employer is unjust, the only recourse he has is to quit work."²⁵

In addition to the objective of an open shop as set forth in the "Declaration of Principles," the N.M.T.A. has been active in carrying on a constructive educational program in the field of economics, train-

25. *Report of the Committee on Education and Labor, op. cit.*, part i, p. 19.

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ing, safety, industrial relations, and "in such other subjects as shall add to the efficiency and advancement of employees and furnish a better understanding of the problems of industry."²⁶ Since 1919 the association has operated a Department of Industrial Education to assist its members in introducing, developing, and improving methods of training foremen, apprentices, and other employees. It also has maintained a Department of Industrial Relations since 1924, which serves as a clearing house for information and which renders a consulting service based on the collective experience of members in problems connected with personnel plans, practices and policies.²⁷ General research reports are issued on timely topics, such as "Methods of Wage Payment," "Employee Representation Plans," "Experience with Group Insurance," and "Thrift and Unemployment." Research is conducted on current problems, and statistics are gathered on employment, wages, earnings, hours, and kindred subjects. Bulletins and special letters inform members on subjects of particular interest; and individual reports dealing with employee questions such as superintendents' and foremen's clubs, cafeterias, credit unions, and the like, are made upon request. Responsible employers operating principally in the metal trades or in trades employing metal workers are eligible for membership. At the beginning of 1940 over 800 manufacturers were affiliated with the association.

7. *The National Industrial Conference Board.* This agency was founded in May, 1916, to unify and centralize the efforts of industrial associations in studying and solving the economic problems of industry and to take constructive action in respect to issues vital to the welfare of its members. The specific functions of the Board are to ascertain economic facts and draw conclusions that will aid co-operative action of employers and manufacturers for the promotion of their own interests, to encourage peaceful and satisfactory industrial relations, to give the public accurate information regarding industrial conditions and legislation, and to command the attention of the government when the

26. From a special communication from the central office of the Association under date of December 12, 1939.

27. For a full statement of the position of the Association on this subject, see Homer D. Sayre, "Fundamental Principles of Sound Industrial Relations," *Metal Trades Digest*, vol. 1, April, 1939, pp. 2-4.

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latter is formulating industrial legislation and policies. Through its various research bulletins on industrial problems it presents effectively the point of view of the employing group. Its publications, excellent in many particulars, have been not unjustly criticized as presenting facts furnished solely by employers and manufacturers and, therefore, as drawing conclusions that would not always be substantiated by impartial investigation.

ACHIEVEMENTS OF EMPLOYERS' ASSOCIATIONS. Associations of employers, like associations of employees, have amply justified their existence in the eyes of those whose particular interests they have been created to promote. There is justification for the claim that employers' associations have greatly lessened the frequency of the sympathetic strike in important industrial centers, checked the movement of capital from those cities in which incessant labor troubles discouraged investment and the establishment of industrial enterprises, and demonstrated the effectiveness of the lockout as a means of breaking strikes. Such organizations have protected the nonunion man in the exercise of his constitutional right to work for whom he pleases. They have secured the passage of legislation designed to promote the general interests of employers and prevented the enactment of laws sponsored by the A. F. of L., C.I.O. and other labor interests that would free unions from prosecution as conspiracies and interfere with the employer's freedom in the administration of his business. They have successfully attacked labor organizations in the courts by causing the issuance of injunctions to restrain the use of the boycott, and they have even caused unions to be sued for damages. In many trades and industries they have introduced acceptable agreements with employees, either individually or collectively, providing for the amicable adjustment of industrial disputes. In recent years, especially, they have sponsored industrial betterment movements designed to promote the welfare of the workers and insure industrial peace and have established effective agencies of research.

OBJECTIONABLE PRACTICES. The foregoing accomplishments of employers' associations have not been without objectionable practices which persist in spite of the enactment of legislation designed to protect the

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worker against antiunion tactics. Among the most important are association blacklisting, rendering of strikebreaking services, and industrial espionage.

1. *The Blacklist.* As the lockout is the employer's counter stroke to the strike, so the blacklist is his counter weapon to the boycott. This is a method of discriminating against employees because of former alleged offenses, such as union membership, agitation, and strike. This practice becomes most effective when entered into by many employers. Members of an employers' association may distribute a list of the names of workers who have participated in a strike or have been suspected of union activities or who for some other reason are considered troublemakers. The blacklist kept by employers' associations gives information with regard to workers, on the basis of which they are given or refused employment.

Frequently in times past employers have made use of the negative blacklist. Under this practice members of an employers' association maintain files which contain important information about employees in the locality. A clearance card is given the discharged employee, and facts concerning him are placed in the files of the association. Both from these facts and from the clearance card employers can obtain data concerning prospective workmen. In these and other ways wage earners who are suspected of being troublesome and affiliated with the union are easily weeded out. This method not only furnishes data concerning ineligible workmen but also provides information regarding eligible employees; it is therefore known as "whitelisting" and corresponds to the fair list and the union label used by organized labor. Obviously the blacklist and the whitelist are simply methods of achieving the same end, namely, discrimination against those who are considered by a group of employers to be undesirable.

As is true with all other forms of union discrimination or intimidation, this activity has been outlawed by the National Labor Relations Act and by state labor relations acts where such laws have been passed. In spite of these laws and other state statutes aimed at the practice of blacklisting, this counter weapon still remains an all too popular tech-

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nique of many employers who are not affected by these laws, or who by some cunning are still able to pursue these methods in the face of the law.

2. *Strikebreaking Services.* Associations of employers whose purpose it is to maintain a united front against unionization are naturally concerned with strikes in their members' plants. For this reason strikebreaking services are provided by many of them. Sometimes they are extended to nonmembers as well. The Senate Committee on Education and Labor recently found that in some instances the recruiting of strikebreakers or guards was delegated by the employers' association to detective agencies.²⁸

Members of the National Metal Trades Association, until late in 1937, were required by the terms of their membership to communicate with the association in case of a disagreement with employees or in case a demand was made by the employees which was likely to lead to collective action on the part of the latter.²⁹ In the event of an actual strike, the resources of the entire association were placed at the disposal of the plant. The association itself paid the cost of recruiting and transporting strikebreakers and extended bonus payments to the strikebreakers, thus supplementing the wages paid to them by the company. It also provided for guards in such numbers as were deemed necessary, paying all their expenses and wages while on the job.

Many individuals, especially in the industrial centers of the nation, are available for strikebreaking work. They are recruited through detective agencies or employers' associations, and sometimes go from strike to strike, making this work their vocation. Profits made from strikebreaking activities by detective agencies assuming this responsibility for employers' associations have been enormous.³⁰ The record of the notorious Pearl L. Bergoff, long known as a purveyor of guards,

28. *Report of the Committee on Education and Labor*, "Strikebreaking Services," p. 29.

29. *Ibid.*, p. 30.

30. See the evidence presented throughout the *Hearings of the Committee on Education and Labor*.

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strikebreakers, industrial spies, and propagandists, is in itself an account of this amazing practice in the United States.³¹

3. *Industrial Espionage*. Recent investigations have brought to light an amazing system of industrial espionage permeating practically all types of American industry. Much of this work, to be sure, has been carried on by individual employers who, through the use of private police systems or the establishment of their own industrial espionage agents, have sought to discover the leaders of union activities within their respective organizations and, once knowing them, to deal with them accordingly. Other employers have sought to pursue these practices through the employers' associations. That this latter method of procedure still is widespread is indicated by a partial list compiled during the hearings of the Committee on Education and Labor. This list contains 1475 names of clients of detective agencies, including 48 employers' associations which were rendering this service to thousands of member employers throughout the country as recently as 1937.³²

There is evidence that this practice has been widespread among employers' associations and their members, although the Committee on Education and Labor has emphasized that it has not been possible to obtain a complete record of this practice in the United States. Employers' associations, in their endeavor to promote the principle of the open shop, have either hired commercial detective agencies to do labor spying for the association and its members, or they have trained their own operatives. The National Metal Trades Association with over eight hundred member manufacturers (among them the largest and oldest metal-fabricating firms east of the Mississippi) was shown to have provided an espionage service for its membership. During the years 1933-1936 no fewer than seventy-one of the association's members employed spies directly in addition to the services rendered through the association itself.³³

The known census of spies for 1933 to 1936 totaled 3871 for the en-

31. See, for instance, the account of his activities in the Remington Rand strike during May and June, 1936, as reported in *ibid.*, Report No. 6, pp. 117-26.

32. *Report of the Committee on Education and Labor*, "Industrial Espionage," pp. 90-121, especially pp. 96-7.

33. *Ibid.*, p. 19.

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tire period, of which 440 were in the employ of the Wm. J. Burns International Detective Agency, and 1228 in the service of the Pinkerton National Detective Agency, to mention only two of the best-known agencies.³⁴ During this three-year period when national legislation was guaranteeing for the first time in the nation's history the right of self-organization to labor, the Pinkerton Agency had 309 industrial clients, and Burns had 440. General Motors Corporation employing 230,572 workers in its various divisions in 1936 was found to have paid \$994,855.68 to detective agencies for spy services during the two and one-half years preceding July, 1936. It is evident from the records that not a single worker among these 230,572 was exempt from espionage during this period of time. As many as 200 spies were reporting simultaneously on the activities of employees in the sixty-odd plants of the corporation.³⁵ In the three years preceding 1937 a selected list of corporations spent a total of \$9,440,132.15 for the services of strikebreakers, spies, and munitions, including strike expenses.³⁶

The way in which many of these spies operated has been astonishing to organized labor. Often they take part in local and national union activities. Between January, 1934, and June, 1937, at least 331 Pinkerton detectives became actively affiliated with American labor unions. Out of 304 Pinkerton industrial operatives who were acknowledged union members at least 100 were elected to offices of varying importance. One was elected to a national vice-presidency, fourteen to presidencies of locals, eight to vice-presidencies, two to treasurerships, and twenty to secretaryships of locals. Three were chosen for each office of business agent, organizer, and delegate to the central labor council, and the remainder served in various capacities of minor importance. The inherent logic of espionage is illustrated by the ironical situation of General Motors Corporation which found it necessary to use the Pinkerton agency to spy upon its own company spies.³⁷

Labor spies are employed as regular workmen in the plants, and findings are reported daily. Anything which they feel will be of value to the employer in an attack upon the union is mentioned in these communications. Usually the spy reports are sent in to the espionage agency

34. *Ibid.*, p. 21.

35. *Ibid.*, p. 23.

36. *Ibid.*

37. *Ibid.*, p. 47.

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which relays the information to the employer after a careful editing. In small organizations the report usually goes to the official in charge of operations, but in larger organizations it passes first across the desk of the labor relations department where, after it is summarized, extracts are passed down to foremen who can use the information against the employees mentioned in the reports. Great secrecy surrounds all these activities. Every spy is assigned a code number which is used in lieu of his real name, and no report reveals the true name of its author. Correspondence from the spy is addressed to a post office box in the vicinity of the agency office which has been rented under a fictitious name, and spies are instructed carefully to delay any telephone calls with the agency for at least an hour or two after leaving work. An ex-Pinkerton operative testified before the Committee on Education and Labor, for instance, that he was told in telephoning to the Pinkerton office "always to call from a pay station, to call collect, charges to be reversed to them, and never call right after leaving work or right after a union meeting. Always go home and go out of a back door and call."³⁸

In summarizing its findings, the Committee on Education and Labor states that one of the gravest aspects of oppressive labor practices has been the commercializing of the services of strikebreaking and labor espionage, rendering such services available to employers at call. It further adds, in part:³⁹

The committee finds that strike services are offered by detective agencies and employers' associations not so much for the purpose of assisting employers to protect property and maintain operations during strikes but rather for the purpose of destroying unions and the processes of collective bargaining. This conclusion does not question the right of the employers to engage watchmen to protect their premises, nor the right permanently to replace employees for good cause by other skilled and competent workmen. These acknowledged rights of the employer, however, cannot be invoked to justify employment of the strikebreakers, strikeguards, and missionaries furnished in the usual course of business by detective agencies, strikebreaking agencies, or employers' associations for the following reasons:

(a) The strikebreaker furnished as a part of strike service by the above-

38. *Ibid.*, p. 39.

39. Report pursuant to Senate Resolution 266, 74th Congress, 2nd Session.

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mentioned agencies, is, in most cases, not a qualified workman but an incompetent mercenary, posing as a workman for the purpose of breaking strikes. He usually receives compensation higher than that of the regular employees, and is discharged after the strike.

(b) The strikeguard furnished by the agencies mentioned above, is not a man trained and qualified for police and patrol duty. He is, for the most part, a specialized kind of ruffian, a "regular fink" well versed in violence, often dishonest, and sometimes a gangster.

(c) The propagandist, missionary, or street operator furnished by the organizations mentioned above, practices deception and deceit, and often performs in the role of agent provocateur or spy.

No employer who has accepted the principle of collective bargaining in good faith can consider using such persons against his employees. Not only do such persons tend to provoke violence and disorder, but their purpose is to discredit and destroy instruments of collective bargaining and make amicable settlement of disputes an impossibility. Through their acts of intimidation, coercion, and provocation such persons violate the rights of free speech and free assembly and the freedom of association of employees. Furthermore, during the period of this committee's investigation, the use of such strike services, and the business of purveying them violated the policy of labor relations enunciated by the Congress.

In the heat of industrial conflict emotions rather than reason are likely to govern the behavior of employers and workers. Each is fighting for justice as he sees it, and each tends to return to primordial attack or defense and pugnaciously to use whatever methods seem most effective, regardless of their legality. Force and violence will not disappear altogether, but their diminution is both possible and highly desirable. An effective and impartial administration of the National Labor Relations Act promises to do much in checking these objectionable and deceitful practices.

ATTITUDE OF ORGANIZED LABOR TOWARD EMPLOYERS' ASSOCIATIONS. It is natural that organized labor should criticize the methods and policies of organized capital. In so doing the workers are merely practicing what employers themselves practice on a general scale. Harmonious relations have not yet been established between these two groups of industrial interests. Organizations of employers necessarily imply limitation of the power of organized labor, and *vice versa*. Labor is not

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fundamentally opposed to employers' associations as such but rather to what the workers conceive to be abuses and injustices imposed by these associations. Organizations of labor have been severely denounced in periodicals and press propaganda issued from the offices of associations of employers. Labor union abuses have often been emphasized to the total exclusion of the constructive work of the unions.

Many prominent labor leaders, however, have recognized the necessity and value of employers' associations. Many years ago John Mitchell stated that ⁴⁰ "unions should not adopt an antagonistic policy towards organizations of employers, unless such organizations show themselves distinctly and unmistakably hostile to labor. . . . Trade unions recognize that an association of employers is better able to combat them than a number of individual competing employers; but they also recognize that the association is, as a rule, more responsible, more conservative and better disposed than the individual employers of whom it is composed," and "workingmen in asserting their right to combine are obliged, by the logic of their demands, to concede an equal right to employers."

Samuel Gompers expressed a similar view: ⁴¹ "I want to see the organization of the wage-earners and the organization of the employers, through their respective representatives . . . discuss questions of wages, and hours of labor and things consistent with the industrial and commercial success of our country, and that shall tend to the uplifting of the human family." He added: "We welcome their organization, but we ask them to follow the path of moderation and reason, the same that they demand of us as workingmen. When they assume a right for themselves, they cannot deny that same right to us . . . To some extent they have grasped the idea of organization or association among themselves, but they fail to concede the necessity of organization among wage-earners."

While not denying the employers' right to form associations, union-

40. John Mitchell, *Organized Labor* (Philadelphia, American Book and Bible House, 1903), pp. 188, 192.

41. Samuel Gompers, *Labor and the Employer* (E. P. Dutton, 1920), pp. 41, 44, 45.

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ists have criticized severely their practices. There are many complaints. Employers act collectively themselves but deny a corresponding right to their employees, employ officials and managers who are not employers and who, consequently, have no direct contact with the workers or knowledge of employment conditions, and employ armed guards in strikes and lockouts who provoke and create violence. Associations of employers operate employment bureaus, which, through the use of the card record system, become agencies for blacklisting employees sympathetic to unionism. They boycott union labor and union label goods, maintain spies to discover union activities, harass members and provoke strikes, support groups of strikebreakers and thugs for use in industrial war, and defend members in strikes and lockouts without a fair determination of the reasons for grievance. It is evident, moreover, as we have already seen that they carry on campaigns for the so-called open shop, which in reality means a shop closed to union labor; use their connections with banks to secure the refunding of interest and so hold members in times of strike; and manipulate their advertising patronage as a means of controlling the press and suppressing the real facts underlying industrial strikes.

Organized workers have often contended that the members of employers' associations influence judges and officials through business contacts, thus jeopardizing the case of the workers, and even go so far as to influence trade union officials and members through bribes, promotions, and other inducements. The maintenance of legislative lobbies to defeat labor legislation, the tendency to maintain a high price under the pretense that labor costs are the responsible factor, and the failure to discipline members for breach of contracts and agreements with the union are among the other major criticisms of these associations. Many of these offenses are denied by employers, and those admitted are defended on the grounds that they are legitimate practices and absolutely necessary as defense measures against aggressive trade unions. Employers logically maintain, moreover, that those who use the strike, boycott, unfair list, union shop, walking delegate, and labor lobbies and refuse to be incorporated have no adequate cause to condemn the counterpractices of associations of employers.

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ECONOMIC AND SOCIAL JUSTIFICATION. Associations of employers and of employees are inevitable phases of industrial evolution; when managed constructively both are indispensable agencies of industrial peace. The complex structure of modern industry has made individual bargaining obsolete for both the employer and the worker. The growing power of unionism and its exercise of force upon defenseless individual employers necessitates collective action on the part of the employing group. The strike, boycott, picketing, limitation of output, closed shop, and restriction of apprentices have been in no small measure responsible for the introduction of the lockout, blacklist, labor bureau, company-dominated union, and the professional strikebreaker.

Militant associations of employers, no less than militant trade and industrial unions, are responsible for industrial conflict and the accentuation of class consciousness. Both types of organizations are to that extent a social menace. Furthermore, in recent years employers' associations in the building trades in our great cities have been accused of acting in collusion with building trades' councils to introduce monopolistic control of price, thus injuring the public. Official investigations in New York and Chicago and elsewhere have resulted in the indictment of employers and union officials for unlawful conspiracy in restraint of trade.

In order to gain public approval and confidence, associations of employers must adopt a threefold policy. Every effort must be made to prevent monopolistic control of prices, whether secured by the associated employers independently or acting in collusion with labor organizations. Their activities with regard to industrial relations must be constructive rather than destructive, that is, they must recognize the necessity and justification of organization and collective bargaining on the part of the workers and accord to the latter the same rights and privileges that they claim for themselves. They must recognize that industry, business, and commerce should be administered for public service and not for the aggrandizement of private interests, that production is a partnership, in the management of which consumers and employees should have a voice. Functioning to these ends, employers' associations

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will become an institution fundamental to the maintenance of industrial peace and the promotion of social progress.

Questions for Class Discussion

1. What are employers' associations? Has their development preceded or followed the rise of trade unionism in America?
2. Are the so-called "citizens' alliances" associations of employers? Is the United States Chamber of Commerce an employers' association?
3. What types of employers' associations are the following organizations representative of:
 - (a) National Industrial Conference Board?
 - (b) National Association of Manufacturers?
 - (c) National Metal Trades Association?
 - (d) National Founders' Association?
4. Discuss the attitude of employers' associations with regard to (a) the strike, (b) the lockout, and (c) the union shop.
5. What is the usual attitude of employers' associations toward the arbitration of labor disputes?
6. Critically evaluate each of the nine points in *Industry's Platform of 1938*, as outlined by the N.A.M. Which of these would you expect to be particularly objectionable to organized labor? Which would you expect the N.A.M. to hold as most important?
7. Do you see any possible conflict between the program of the League for Industrial Rights and the guarantee of the National Labor Relations Act?
8. Why have employers' associations often followed the practice of maintaining their own employment offices?
9. What have been (a) the major achievements and (b) the objectionable practices of American employers' associations? From the theoretical point of view, what influence have these organizations had upon trade unionism and wage levels?
10. Can an employer's acts of industrial espionage ever be justified? Which of such acts would you expect to be the most objectionable to labor? Which would be the least objectionable to labor?
11. What are the fundamental reasons for labor's condemning attitude toward employers' associations? Is labor unalterably opposed to them?
12. From your study of the employer's approaches to labor problems, do you consider his efforts more or less selfish than those of the worker, as out-

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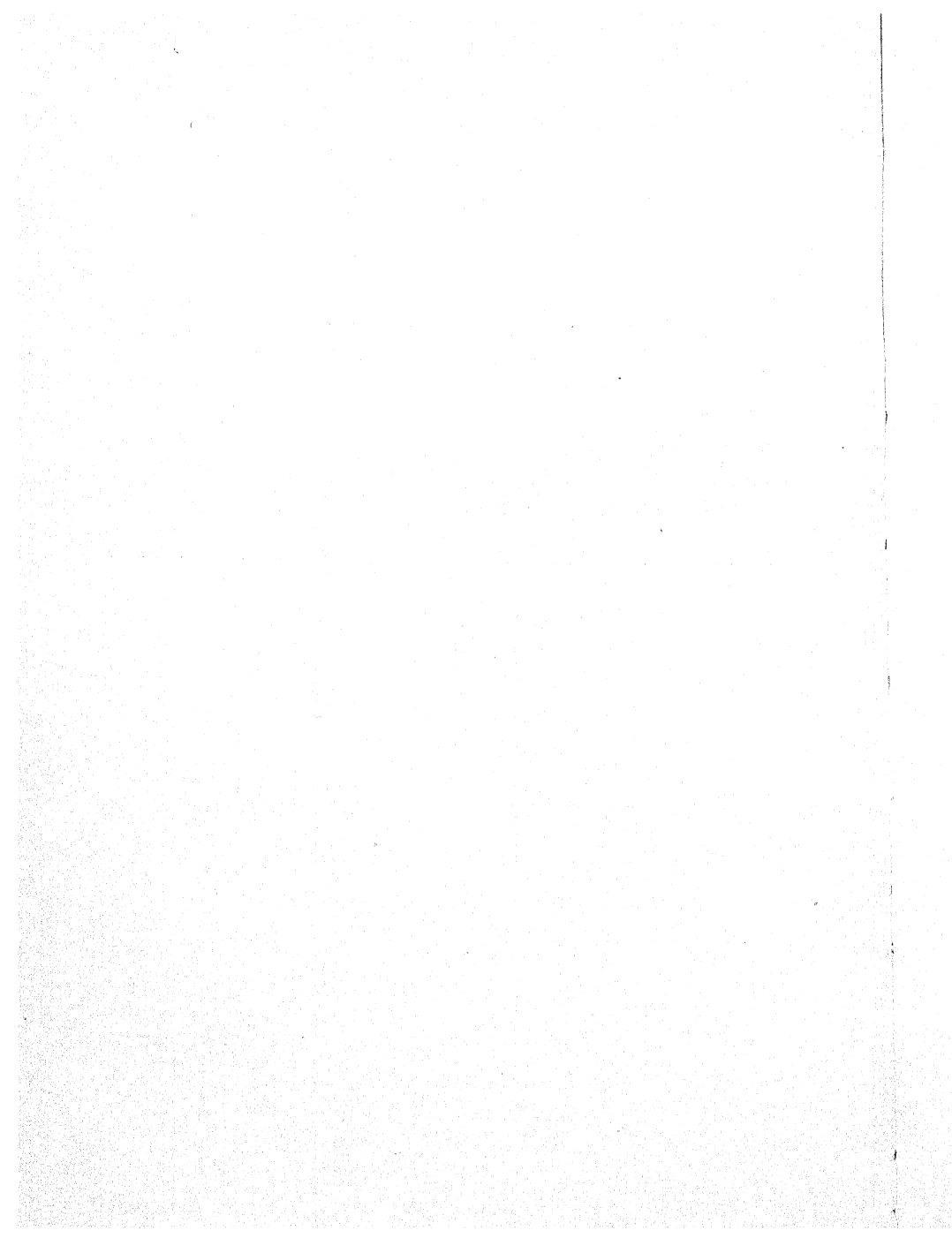
lined in Part V of this book? Can you see any hope in consolidating or compromising the different approaches of these two agents of production?

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PART VI

THE COMMUNITY'S APPROACHES TO A SOLUTION



Chapter 27

METHODS OF INDUSTRIAL PEACE

¶ THE PUBLIC'S ROLE IN COLLECTIVE BARGAINING. Strong associations of employers and laborers are indispensable to collective bargaining, but their existence as such is not in itself a guarantee of fair play and industrial peace. Both labor and capital fall far short of their goals as we have seen in the two preceding parts of our study. Progress has been made in the peaceful adjustment of grievances; yet industrial unrest is still widespread throughout the nation, and many labor problems remain unsolved.

In the face of the lessons of the past, there is a growing tendency on the part of enlightened associations of employers and employees to recognize the danger and waste involved in leaving the settlement of industrial conflicts to the disputants only. Throughout the civilized world the jungle method of force has been largely superseded by legal adjustment based upon an examination of the facts and conditions which have been responsible for the difficulty. In international political relations progressive steps are being taken to abolish the barbarous practice of war, although the world still has in it groups of people whose political and economic ideologies are so divergent and conflicting that machine-gun and torpedo fire are the arbitrators.

As in politics, so it is in our economic life. There is, however, at least one great difference between political and industrial warfare. In politics we do not yet seem to have learned the futility of war. But in the field of labor relations we have begun to see that most employer-employee difficulties can be settled peaceably. Moreover members of the public suffer materially as a result of warfare even though they may not be directly concerned. Thus the employer, employee, and pub-

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lic alike have learned through long and trying years of experience that there is nothing to be lost and much to be gained in an attempt at the peaceful settlement of labor disputes.

It is not too much to expect, therefore, that in industry the joint conference will continue to replace the arbitrary exercise of force, and that law and order will supplant chaos and disorder. More and more the trade agreement, conciliation, mediation, investigation, and arbitration will be the methods used to promote this peace. Furthermore some type of governmental intervention will become the rule in the settlement of these difficulties if the parties themselves cannot do so upon a voluntary basis. Government exists for the primary purpose of promoting the general social and economic well-being of the nation. If employers and workers cannot succeed quietly and peacefully in the adjudication of these issues, then it becomes the direct obligation of the state, in defense of public interest, to do so. Some kind of governmental intervention in the settlement of industrial disputes has been taking place in the United States for the past half-century, and it is to this subject that we turn first in our review of the public's approaches to practical solutions.

DEFINITION OF TERMS. Confined to its strictest usage, the term *conciliation* refers to the settlement of industrial disputes either by direct conference between employers and employees involved or by joint boards representing them, without the assistance of outside agencies. When an outside person or body intervenes informally to bring together employers and employees in a joint conference for the purpose of settling their differences in a peaceable manner, the procedure is designated *mediation*. The terms mediation and conciliation are often used interchangeably in the United States. The element of compulsion is absent from both methods.

The conciliator or mediator has been aptly described as a confidential adviser. He is essentially an industrial diplomat. Whether the mediator be a private person, a government official, or a government board, care is generally taken not to impose the outside viewpoint upon either management or the employees concerned in the dispute, but rather to find some mutually acceptable, though perhaps not always mutually

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satisfactory, basis for discussion and adjustment. The procedure is diplomatic rather than judicial; it is not to hear both sides and then determine the rights and wrongs of the situation, or to pass judgment and then enforce a decision. Rather it is to suggest a conference and a basis for discussion and agreement between the disputants and pave the way for the resumption of friendly and peaceful relations.

In case the parties to an industrial controversy fail to effect an amicable settlement by themselves or with the assistance of a mediator and they agree to submit the questions at issue to an impartial umpire or board, the procedure is called *voluntary arbitration*. This method ordinarily involves (1) mutual consent of the parties to submit the controversy to the adjudication of an impartial arbitrator, (2) investigation of pertinent facts and conditions underlying the dispute, (3) an agreement to refrain from stoppage of work during the investigation, (4) formulation of an award and announcement of the decisions embodied therein, and (5) the elimination of the strike, lockout, boycott, and other methods of industrial warfare during the term of the agreement as embodied in the award. Once they have formally agreed to refer their dispute to an arbitrator, both sides are morally bound to facilitate proceedings, but the acceptance of the award is purely voluntary unless the initial agreement provides for compulsory acceptance and enforcement of the award. Usually, however, both sides are reluctant to bind themselves to accept the decisions of the arbitrator.

When *compulsory investigation* is provided, there is a state board of investigation and recommendation, which has power to collect all requisite information for an intelligent discussion of the controversy and the formulation of recommendations. Such a board may summon witnesses either upon request of the parties to the dispute acting independently or jointly, or upon its own initiative, but it does not possess legal powers to enforce its awards. Compulsory investigation usually involves prohibition of strikes and lockouts pending the investigation, general publicity of the findings and recommendations of the board, voluntary acceptance of the award, and freedom to engage in a strike or lockout upon rejection of the recommendations. The Canadian Industrial Disputes Act of 1907 and a similar law enacted in Colorado in

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1915 have provisions designed to preclude strikes and lockouts. In the United States, however, many statutes provide for compulsory investigation without compelling postponement of strikes and lockouts during the investigation.

Compulsory arbitration takes place when the government, directly or indirectly, brings pressure to bear upon the parties to a dispute and compels them to submit their differences to an outside, impartial body for adjudication and award. Generally speaking, there are two forms of compulsory arbitration. If the government forces the disputants merely to submit their case to an impartial body and does not compel acceptance of the award, the method is known as compulsory arbitration *with voluntary award*. In case the law compels both the submission of the case and the acceptance of the arbitrator's decision, the method is compulsory arbitration *with compulsory award*. Under both methods employers and employees are forced to submit their dispute to arbitration, to refrain from strikes and lockouts pending adjudication, and to produce facts and give testimony. The only difference is the element of compulsion or volition in acceptance of the award. Usually public opinion is relied upon to force acceptance of the decision.

In addition to the foregoing terms, *primary arbitration* and *secondary arbitration* are sometimes used, the former being "the authoritative settlement by impartial arbiters of the terms of the employment contract itself," and the latter "the adjudication of those minor disputes growing out of the interpretation of the existing contract." Primary arbitration is fundamentally judicial.

The *trade or working agreement* is a more or less formal arrangement under which the conditions of employment are governed by an agreement made between an employer, or an association of employers, and a union of employees. The agreement is made at a joint conference and remains in force for a period of years. Trade agreements are moral rather than legal instruments, and the responsibility for their enforcement, therefore, is moral and not legal. In this process of collective bargaining two distinct types of industrial differences may arise. There are, first, those differences that concern the interpretation of existing agreements.

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Although these may assume a serious nature, they are usually viewed as being of a minor character. Then there are the more serious disputes that have to do with the terms to be included in the agreement which shall govern future employment relations. Trade agreements may fail or be abrogated either by employers or by employees, and it then becomes necessary to resort to conciliation, mediation, voluntary arbitration, compulsory investigation, or compulsory arbitration.

ADVANTAGES AND DISADVANTAGES OF MEDIATION AND ARBITRATION. In no country have mediation, compulsory investigation, and arbitration been an unqualified success. Strikes and lockouts are still frequently resorted to in industrial disputes. Such measures, however, have made a significant contribution to the movement for industrial peace. In Great Britain the most successful method of settlement has been found in conciliation and mediation. Compulsory investigation has achieved some desirable results in Canada and Colorado and in the railway industry of the United States. It is not unlikely that compulsory investigation will increase in importance if serious industrial conflicts persist. The case for investigation, conciliation, and voluntary arbitration rests mainly on two facts. These methods eliminate the necessity for resort to industrial warfare by substituting a system of judicial procedure and examination, and they afford that measure of publicity which is an essential safeguard to those public interests so frequently unrecognized in joint conferences between employers and employees.

Compulsory arbitration rests upon more debatable grounds. It is commonly believed that compulsory arbitration functions chiefly in the interests of those who constitute the dominant economic and political power. In Australasian countries, in which a strong labor party is often in active control of the government and is always a powerful opposition when not actually in control, the machinery of compulsory arbitration is not likely to prove disadvantageous to the workers. Australasian workers have little or nothing to fear from immigration, since its chief source is the British Isles and the immigrants have standards of living comparable to those prevailing in the colonies. Experience with compulsory arbitration abroad, therefore, is no guarantee that similar

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methods will succeed in the United States where there is no labor party and low-standard immigrants are admitted. However, it remains to be proved that such a method would not succeed in this country.

Several important objections are urged against compulsory arbitration. It deprives the workers of the only means they possess of making effective their collective action—the strike. “Strikes are the natural expression of the working people against injustice, against tyranny, against a deterioration in their condition.”¹ It is objected that compulsory arbitration laws take away the right to strike but leave unrestricted the employers’ right to discharge, thus giving the latter a marked advantage in bargaining power. The prevention of strikes is practically impossible, since an individual cannot be forced to work against his will. Despite the compulsory investigation and compulsory arbitration features of their laws, communities where these laws have been tried have not been free from strikes.

In the United States, the constitutionality of compulsory arbitration laws is uncertain. In basic industries directly affecting the public welfare and safety such laws would probably be sustained, but their general application is viewed as undue interference with the constitutional guarantee against involuntary servitude. The right to organize and to bargain collectively, as well as to enforce labor’s demands with peaceful strikes and other methods, is generally recognized as valid, and any contravention of that right is difficult to justify. The effect of compulsory arbitration is to weaken the power and threaten the permanence of labor organizations since the general tendency is to rely upon law rather than organization. “The only real effect is to weaken the power and effectiveness of trade unions; to make wage earners dependent upon a political agency to carry industrial problems into politics.”²

Compulsory arbitration delegates authority to an outside party who is unfamiliar with the conditions that cause the dispute and who frequently fails to appreciate the points at issue. The decisions and awards of arbitrators are often influenced by favoritism and prejudice. Workers

1. Samuel Gompers, *Address on the Kansas Court of Industrial Relations* (Washington, American Federation of Labor, 1920), p. 18.

2. *Idem.*, *Labor and the Employer* (E. P. Dutton, 1920), p. 270.

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claim that arbitrators are almost invariably men of extremely conservative points of view, unable to understand the progressive demands of labor. Employers, on the other hand, complain that arbitration boards frequently manifest radicalism in granting the demands of labor.

COMPULSORY ARBITRATION. We may now turn to a brief review of the ways in which the principle of compulsory arbitration operates in actual practice in different parts of the world where it has been applied. In taking up this analysis it must be remembered that many factors, including the background of the workers affected, political philosophy, number of industries and employees coming within the scope of the law, the period of its enforcement, and the mechanisms and techniques employed in its administration, help to determine the degree of successful application.

1. *Compulsory Arbitration in New Zealand.* For many years Australasian countries have had a policy of adjusting labor controversies either by courts of arbitration or by wage boards. The principle of compulsory arbitration has been widely accepted by both the states and the commonwealth. New Zealand's development illustrates the tendency. Under the authority of the Industrial Conciliation and Arbitration Act of New Zealand, adopted in 1894, district boards of conciliation and a court of arbitration were created. The boards of conciliation comprise an equal number of representatives of employers and of employees selected from persons nominated by registered organizations of these two groups. Under the original provisions an impartial chairman was chosen by these representatives, but since 1908 district commissioners of conciliation, who are salaried officials, have been appointed.

The Court of Arbitration of New Zealand, which has jurisdiction over the entire colony, consists of three members appointed by the governor. One of these members is chosen from a list submitted by registered trade unions, one from nominations made by registered associations of employers, and the third, the president of the court, from the justices of the Supreme Court. Registration is purely voluntary. Strikes are illegal for registered unions, but not for unregistered unions. The machinery of conciliation or arbitration may be set in motion upon application of either party to the controversy. The Court of Arbi-

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tration possesses powers of compulsory investigation and may compel the attendance of witnesses, the submission of documentary evidence, and other information affecting the controversy. Awards may be made applicable to the entire industry. Competitive conditions in a given industry are thus equalized, and protection is afforded to registered employers and employees from destructive competition by those who are not registered.

Unless unions cancel their registration, the decisions, agreements, and awards made under the act remain in force until superseded by new agreements or awards. The award continues for three years even though cancellation of registration takes place. Where unions have strong organization prior to the dispute the court usually gives preference to the unions, and an employer is required to discharge a non-union man in favor of an unemployed union man. This amounts to the enforcement of a closed shop.

Because of the unfavorable economic conditions existing in 1932, the rigid standards provided in the Act were lowered by dropping the requirement that labor disputes be submitted to compulsory arbitration. Another provision of the law, that providing for the establishment by the Court of Arbitration of minimum wage levels for all workers, was also amended at this time by leaving basic wages to voluntary agreement. With a return to the Labor government in 1935, however, arbitration of labor disputes again became obligatory. The 1936 amendment returned to the industrial court power to fix basic wages after proper consideration of family needs. The forty-hour maximum week was established in industry except when employers show cause for exemption. Union membership was required of all workers eighteen years of age or over, or of any worker under eighteen who received adult minimum wages in work covered by a trade agreement.

Although New Zealand has not achieved industrial peace, this return to the principle of compulsory arbitration in 1936 after several years of abandonment lends strong support to the observation that there is a general disposition on the part of all political parties except socialists and syndicalists to accept it as an important approach to labor prob-

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lems.³ But the system is not without its faults. Much difficulty has been encountered from time to time in the enforcement of penalties for illegal strikes and lockouts, and nonregistered unions oppose the Court of Arbitration. Many are convinced that this system of arbitration is deficient chiefly in being applicable only to registered unions. Yet it has enjoyed a life of almost half a century.

2. *The Commonwealth Conciliation and Arbitration Act of Australia.* Like New Zealand, the Commonwealth of Australia for many years has been a pioneer in the field of compulsory arbitration. When the commonwealth was formed in 1901, the constitution contained a clause granting to the federal government the duty of "conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state" (XXXV). As is the case in the United States, all powers not specifically granted to the central government are reserved to the Australian states. Thus the commonwealth is empowered to deal with interstate labor disputes only, although difficulties which are bound to arise out of uncertainties of jurisdiction have been greatly minimized by the policy followed by the state tribunals in basing awards in labor disputes on those established by the Commonwealth Conciliation and Arbitration Court. Decisions of the High Court of Australia since 1904 have established the principle that the commonwealth itself has jurisdiction over disputes or potential disputes which occur simultaneously in two or more states.

The Conciliation and Arbitration Act was drawn up in 1904 under the stimulus of this federal jurisdiction in labor disputes. Since that time it has been amended on numerous occasions, the last time being in 1934. The primary object of the act is "to prevent lockouts and strikes in relation to industrial disputes." Workers engaged in interstate commerce are not compelled to join a labor union, although unionization is encouraged, as is organization of employer groups. An amendment to the Act in 1930 deleted all reference to lockouts and strikes, although

3. For a full description of the present labor program in New Zealand see *Monthly Labor Review*, vol. 43, November, 1936, pp. 1172-5; and *International Labor Review*, vol. 38, July, 1938, pp. 83-95.

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three provisions relative to the legality of strikes still remain in the law. ~~Employees are forbidden to cease work because their employers belong~~ to an organization or because the employers gained benefits under an award. Secondly, the refusal to accept employment by a "substantial part" of the recipients of an award is prohibited. Finally, the officials of an organization are forbidden to "advise, encourage, or incite" the members of an agreement to refrain from working in accordance with the terms of an award. Any strike resulting from these prohibited acts becomes illegal.⁴

The Commonwealth Court of Conciliation and Arbitration is the chief creation of the act of 1904. This court has all the judicial powers usually exercised by courts of law and equity and is charged with broad powers of settling labor disputes over which its jurisdiction extends. In completion of this task the court has exercised the power of establishing minimum wages since 1907, and of changing the working hours and conditions. The High Court has held that a decision rendered by the court in the settlement of a labor dispute is equivalent to a law of the commonwealth, although appeals may be taken by the aggrieved parties to the High Court for review if the issues involve questions relating to the actual existence of an alleged dispute or if they challenge the power of the Court of Conciliation and Arbitration itself.

As now constituted, the Court of Conciliation and Arbitration consists of a chief judge and three judges. Any member may act for the court in all matters except those involving an alteration in hours or wages under an award or agreement, in which case consideration must be given by the chief judge and not less than two of the other judges. In addition to this central court, the law makes provision for the appointment of three *conciliation commissioners*, each of whom can exercise the power of a judge of the arbitration court, but whose decision can be appealed before the court if matters of wages, hours, or conditions of employment have been dealt with. The law also provides for the appointment of *conciliation committees*, made up of an equal num-

4. For a full discussion of the Australian system of arbitration and conciliation see *Monthly Labor Review*, vol. 47, December, 1938, pp. 1287-94; and *International Labor Review*, vol. 37, March, 1938, pp. 314-37.

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ber of employer and worker representatives with a conciliation commissioner acting as chairman. These committees consider specific local disputes and exercise jurisdiction over all issues arising in any single industry. The law stipulates that the decisions of these conciliation committees shall have the same force as the awards of the court, but the High Court has invalidated this transfer of powers on grounds of unconstitutionality.

Under the Australian system many disputes are settled peacefully outside the Court of Conciliation and Arbitration or its agents. Provided that either the employer or the employees belong to a registered organization, these two parties may enter into a working agreement calling for the prevention and settlement of labor disputes by conciliation and arbitration upon a voluntary basis. If such an agreement is filed with the Industrial Registrar, however, its terms are binding on all its signatories and may be enforced by law. In no case is such a contract to be enforceable for more than five years, the average term being between two and three years. A total of forty-seven of these agreements were in force at the first of the year 1938.

Two types of cases come under the jurisdiction of the court. The first involves workers in industries or occupations where no trade agreement or award exists, where all disputants are not parties to the same award, or where the period of the award has expired. Under these conditions, when a dispute arises the claims are laid before the employer. If the employer voluntarily makes an acceptable adjustment the case is dropped. If the employer rejects the claims in whole or in part, a judge of the court intervenes, acting only in a conciliatory capacity at first. If he summons the disputants to a conference they are obliged by law to attend. During this conference the discussion is quite informal, and if an agreement is voluntarily reached by the two parties to the dispute it is certified by the attending judge and then filed with the Industrial Registrar where it has the force of an award. But if the case is not settled here, it is passed on to the Court of Conciliation and Arbitration for settlement. The decision of this body, as noted above, is final and binding for a period of five years unless otherwise stipulated. If neither party is a member of an organization or union, then the issue may be

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brought directly before the court by the Registrar or by a state industrial authority if the federal government has jurisdiction in the matter.

The second type of case involves a situation where all parties to the dispute are bound by the same unexpired award. The procedure here, again, is for the court to seek an adjustment through conciliation first. Since the awards of the court often take the form of a compromise, modifications of objectionable provisions are sought, and interpretation, suspension, and cancellation of the award are requested. If conciliatory efforts fail, these objections are placed before a specially created *Board of Reference* consisting of a chairman who represents the court, and an equal number of employee and employer members. This board is authorized to make interpretations and minor modifications in the terms of the existing award. Appeal may be made from the decisions of this board directly to the court. The procedure followed in hearing cases of appeal is similar to all others. When the court finds good cause to do so, it may modify the decision as it sees fit.

Besides establishing compulsory conciliation and arbitration, the Australian law provides penalties insuring the use of these facilities and the observance of awards. Fines in varying amounts are imposed upon those refusing to co-operate with the court by failing to comply with its final rulings. Employers who continue to violate the basic wage levels established by the court in the settlement of labor disputes are also subject to the imposition of fines. This power is one which contains great social possibilities for the workingman but one which is fraught with far-reaching economic implications. It must be admitted, however, that the Australian plan, as well as the New Zealand program, has survived several cycles of prosperity and depression, even though the degree to which it has accomplished its primary objective—that of preventing strikes and lockouts—is still open to serious question.

3. *The Kansas Court of Industrial Relations.* The United States has not been without some experience in compulsory arbitration, although it has been state legislation instead of federal, and has not been given a long test period. The Kansas Court of Industrial Relations, provided for in an act of the General Assembly in 1920, created a complete system

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of compulsory arbitration for certain basic industries in the state. This law is now inoperative, but it has attracted general attention because of its experiment in the field of compulsory arbitration and is deserving of critical consideration. The act set up a Court of Industrial Relations, consisting of three judges appointed by the governor with the advice and consent of the state senate, each to serve for a term of three years. The purpose of the court was to preserve the public peace, protect the public health, prevent industrial strife, disorder, and waste, secure regular and orderly conduct of businesses directly affecting the living of the people, and promote the general welfare. Although the court was given powers previously held by the State Public Utilities Commission, which it superseded, its most important provisions, for our purposes, have to do with the regulation of certain industries and occupations that are deemed to be affected with a public interest. These industries include the manufacture of food products and clothing and processes connected therewith, the mining and production of fuel, transportation, and all public utilities and common carriers as defined by the statutes of the state. Continuity and efficiency in the operation of these industries were deemed fundamental to the public welfare.

Serious controversies could be investigated by the court either upon its own motion or upon the request of interested parties designated in the act. Such investigations might extend to the conditions of labor, wages, returns to capital, and the rights and welfare of the public. Future conditions of the industry were to be determined by the court, and an order might be issued making any necessary changes in conditions of work, living conditions, hours of labor, rules and practices. The court might also establish a reasonable minimum wage or standard of wages. Appeal from its decisions could be had within ten days. If, after sixty days' compliance with the order, either party to the dispute found it to be unjust, unreasonable, or impracticable, the aggrieved party had a right to apply for a modification, whereupon the court was required to hold a hearing and make such modifications as seemed necessary.

The Industrial Court was empowered to bring suit in the State Supreme Court to compel compliance with its orders. A fine not exceed-

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ing \$1000 or imprisonment not exceeding one year, or both, could be imposed on persons willfully violating the provisions of the act or any valid order of the court, while a fine not exceeding \$5000 or imprisonment at hard labor not exceeding two years, or both, could be imposed on officers of corporations or labor unions guilty of violation. Miners' leaders were actually imprisoned under these provisions.

The court was authorized to take over and operate industries or work affected by a dispute, in case production and operation were suspended, but a fair return to the owners and employees was guaranteed. The right to organize and bargain collectively was recognized under the law, but strikes, lockouts, picketing, boycotting, and other weapons of industrial warfare were prohibited. Employees were protected in their freedom to quit work individually in termination of a contract and were safeguarded against discharge for appearing before the court with complaint. Employers and employees not in industries covered by the act could submit their disputes to the court. The establishment of a legal minimum wage for men was a new departure in this country.

The court's functions were administrative rather than judicial. In 1921 the legislature widened the scope of the act by abolishing the Industrial Welfare Commission and the Department of Labor as separate agencies and consolidating these with the Court of Industrial Relations. The court was apparently burdened with too many functions. The industrial court law was declared constitutional by the State Supreme Court, but it met a less fortunate fate at the hands of the United States Supreme Court. Employers and employees alike were opposed to the law and challenged the validity of many of its provisions in the courts. In 1923 the United States Supreme Court declared unconstitutional the provisions of the law empowering the Court of Industrial Relations to fix wages in industries that are not public utilities.⁵ The use of compulsory arbitration in fixing wages in the meat-packing industry was held to be in conflict with the due process of law clause of the Fourteenth Amendment. The United States Supreme Court passed upon the law again in 1925. The court was unanimously of the opinion

5. *Wolff Packing Co. v. Court of Industrial Relations*, 262 U.S. 522, 43 Sup. Ct. 630 (1923).

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that the meat-packing industry is not affected with a public interest, and the fixing of hours of work through compulsory arbitration by a state agency is, the court held, an infringement of the liberty of contract and rights of property guaranteed by the due process of law clause of the Fourteenth Amendment.⁶

On March 19, 1925, the legislature of Kansas passed a law abolishing the Court of Industrial Relations. The powers and duties of the court were by this measure transferred to a Public Service Commission consisting of five members appointed by the governor by and with the advice and consent of the senate. As a result of this change the status of compulsory arbitration in Kansas remained uncertain for several years.⁷ It was urged by some that the Public Service Commission had the power to investigate industrial disputes, formulate remedies, and publish findings but not to enforce its decisions.⁸ On the other hand, it was believed that the act of 1925 gave the commission all the powers of the old court, that compulsory arbitration of disputes in transportation and public utilities was unaffected by the rulings of the United States Supreme Court, and that the prohibition of strikes, lockouts, and picketing was still legally in effect in the industries covered by the original act.⁹ With the passing of time, however, the new commission has disregarded the compulsory arbitration features of the 1920 law and this experiment in Kansas has become a thing of the past.

4. *Conciliation and Arbitration Law of France*.¹⁰ France is a new entrant to this field of industrial relations, having enacted legislation providing for the compulsory conciliation and arbitration of labor disputes first on December 31, 1936. The scope of this law was extended by amendments passed on March 4, 1938. Objectives of the French law

6. *Ibid.*, 45 Sup. Ct. 441 (1925).

7. For a thorough discussion of this subject see Edward Berman, "The Supreme Court and Compulsory Arbitration," *American Economic Review*, vol. xviii, March, 1928, pp. 19-44.

8. Lindley D. Clark, "Constitutionality of Industrial Court Law of Kansas," *Monthly Labor Review*, vol. xx, June, 1925, pp. 1340-6.

9. Berman, *op. cit.*, pp. 19, 20.

10. See *Monthly Labor Review*, vol. 44, April, 1937, pp. 902-3; and vol. 46, June, 1938, pp. 1352-6 for the full text of this law.

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are to establish an equitable regulation of working conditions and to protect collective and individual rights and liberties. The law provides that in industry and commerce all disputes between employer and employees must be submitted to conciliation and arbitration before a strike or lockout takes place.

In case of a dispute either party has the right to lay the issues before a *conciliation commission* for possible settlement. These commissions are either *departmental* or *national* in character, depending upon the nature and scope of the dispute in question. The procedure calls for an attempt at settlement within the industry itself. Failing here the *prefect* may submit the issue to a departmental commission, or upon demand of one party or by his own act, *ex officio*, it may be referred to a national conciliation commission. These national commissions are presided over by a competent labor minister or his representatives, and both employers and workers are equally represented under conditions similar to those prevailing under the departmental commissions. Awards of arbitrators, in case conciliation fails, must be made promptly within specified limits of time. Decisions are binding, but appeal of an arbitrator's award to the high court of arbitration can be made after consultation with a special committee of the National Economic Council of France. No appeals to the ordinary courts are allowed.

This law as amended in 1938 applies specifically both to workers in disputes arising under collective agreements which provide mechanism for their settlement, and to those workers who are not members of any particular labor agreement. A new feature of the law introduced by the 1938 amendment provides for the application of the principle of wage adjustments based on changes in the cost of living. This principle has been set forth, no doubt, in the hope of checking many serious disputes which began spreading through France with the return of business recovery in 1935-1936. An appraisal of its results will have to be delayed until a sufficient amount of time has elapsed to reveal the influence of the law upon industrial relations under a peace-time national economy.

COMPULSORY INVESTIGATION AND CONCILIATION. Some laws regulating industrial relations provide for either compulsory investigation or con-

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ciliation instead of compulsory arbitration. Illustrative of these methods are the older compulsory investigation laws of Canada and Colorado, and the newer compulsory conciliation law of British Columbia. Both compulsory investigation and compulsory conciliation strive toward the same objective—the gaining of peaceful settlement by requiring the parties to a dispute to delay strike or lockout action at least until the disputants have talked over their troubles or had them investigated. Also neither method outlaws these practices as a means of last resort. But they are different in that the former approach, that of compulsory investigation, relies upon the fruits of impartial investigation and the crystallization of public opinion to enforce an equitable adjustment; while the latter relies upon the results of the conference table as a means of peaceful settlement. In these ways both methods aim to preserve peaceful relations without robbing the workers of their right to strike and without taking from employers their right of collective lockout.

1. *Compulsory Investigation in Canada.* The Canadian Industrial Disputes Act of 1907 was made applicable to all public utilities and mines. In the industries specified it is unlawful for employers to lock out their workmen or for employees to strike until the causes of the dispute have been investigated by a government board appointed for this purpose and the findings of the board published. Following these proceedings either party may refuse to accept the findings and initiate a strike or lockout.

Any change affecting hours and wages in the industries specified, whether upon demand of employers or employees, must be preceded by thirty days' notice. Either party to a controversy that threatens to culminate in a strike or lockout may apply to the Dominion Department of Labor for a board of conciliation and investigation. Upon receipt of an application accompanied by statements setting forth the particulars of the controversy, the Minister of Labor appoints a board of three members, one nominated by the employers, one by the employees, and a chairman selected either by these two or, if they fail to agree, by the government. If either side fails to nominate its representative, the Minister of Labor makes the selection. Informal conferences participated in by representatives of employers, employees, and the public have proved

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the most successful procedure in conducting investigations. Majority and minority reports setting forth the conditions underlying the dispute and suggesting terms of settlement may be published by the government. If the terms are unacceptable, either party to the dispute may resort to ordinary methods of industrial warfare.

Although publication of findings was among the principal original purposes of the law, in actual practice there has been little publicity. In fact the boards of conciliation and investigation are said to have discouraged publicity in order to expedite amicable settlement of disputes. The community is evidently more interested in avoiding interruptions of service that will disturb its comfort and routine than in knowing the essential facts about an industrial controversy.¹¹

Fines are imposed for strikes and lockouts begun prior to the publication of the findings of the board of investigation. Fear of penalties, however, seems to have had little influence in preventing violations. A study of its operation shows that "whatever success has attended the administration of the act has been due to the conciliatory efforts of the Department of Labor through its fair wage officers and its boards of conciliation and investigation; to the dislike for publicity rather than to the fear of fine or imprisonment; to the existence of a means of negotiation rather than a means of restriction."¹² The results have been encouraging. Between 1907 and 1935, a period of twenty-eight years, 640 disputes were handled under the act, and in 92 per cent of these cases a strike was averted or ended.¹³ But there were also 657 illegal strikes during this same period, and only in a few cases did the Ministry of Labor make prosecutions.

Both employers and employees seem to favor the law at the present time, much of their previous antagonism having completely disappeared as the value of the law was perceived. The changed attitude may be the result of the fact that in its actual application the law is essentially a conciliation measure. The success it has achieved in averting and

11. "Results of Canadian Industrial Disputes Investigation Act, 1907-1927," *Monthly Labor Review*, vol. 26, January, 1928, pp. 48-53.

12. *Ibid.*, vol. v, September, 1917, p. 423.

13. B. M. Selekman, *Law and Labor Relations, A Study of the Industrial Investigation Act of Canada*, pp. 7-9.

settling disputes probably represents a triumph for the voluntary rather than the compulsory principle of adjustment. Another factor in its success is the appointment of a separate board for the consideration of each dispute. This apparently avoids the suspicion and antagonism so often incurred where the personnel of an adjustment board is permanent, as in the case of the old Railroad Labor Board in the United States. This system of special boards, moreover, develops an experienced corps of conciliators who can be used in future disputes.

The constitutional status of the Canadian Industrial Disputes Act was questioned in 1923. The decision of the highest court of appeal, the Privy Council of England, rendered January 20, 1925, held the act unconstitutional on the ground that it invaded the exclusive jurisdictional territory of the provinces. An amendment was passed in March, 1925, by the Dominion Parliament to bring the act within constitutional limits.¹⁴ Further extension of the law, however, seems quite remote unless employers and workers strongly demand it.

2. *Compulsory Investigation in Colorado.* In 1915 Colorado put into effect its Industrial Commission Act, which is modeled after the Canadian Industrial Disputes Law of 1907. The Colorado act, as amended in 1921 and 1923, makes it unlawful for employers to declare or cause a lockout, or for employees to go on strike prior to or during an investigation or arbitration of a dispute. Under the provisions of the law the Industrial Commission has power to compel a hearing on industrial controversies and to make an award. The award is not mandatory. Changes in the terms of employment, strikes, and lockouts are forbidden until thirty days' notice has been served and until after a hearing and an award, provided proceedings are begun within the period of the notice.

The act applies to all employees except those in domestic service, agriculture, and establishments employing less than four persons. Although the requirement of thirty days' notice has been severely criticized, it affords an opportunity for conciliatory action. Informal conferences are provided for, but if these fail the Industrial Commission

14. See C. E. Dankert, "The Canadian Industrial Disputes Investigation Act," *Journal of Political Economy*, vol. 36, February, 1928, pp. 141-63.

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conducts formal hearings and makes awards. The commission reports that the results have amply justified the existence of the act. The constitutionality of the law has been upheld by the State Supreme Court.

The value and effectiveness of compulsory investigation in Colorado constitute a much controverted question.¹⁵ Opponents of the measure insist that the commission has manifested a definite bias in favor of employers and has demonstrated its incompetency to handle complex industrial controversies. It is further urged that the status of trade unionism is seriously jeopardized by the law, and that far more desirable and effective results could be achieved by other methods of adjusting disputes. The evidence seems to show that the wage earners' only effective weapon, the strike, has been greatly weakened, while the commission has been unable to force many employers to comply with its decisions or to prevent the victimization of union leaders by local authorities allegedly under the control of large corporations. Some persons object to the law because of its alleged excessive paternalism.¹⁶

The law is, however, stoutly defended by many who contend that the community has been saved from suffering and inconvenience because it has compelled employers and workers to postpone cessation of employment pending investigation of their controversy. To such persons the act represents a substitution of judicial procedure for resort to the arbitrament of force, reduces the number of hatred-breeding strikes and lockouts, and assures the continuation of production. Although the commission has worked slowly and at times inefficiently, due largely to a lack of funds, it has undoubtedly contributed much to the reduction of strikes and has, on the whole, emphasized the conciliatory rather than the coercive features of the law. This is indicated by the fact that between 1916 and 1937 over two thousand disputes were settled amicably, and only some three hundred illegal strikes and lockouts took place.

A careful analysis, however, indicts the commission on a number

15. For a critical analysis of this question see C. E. Warne and M. E. Gaddis, "Eleven Years of Compulsory Investigation of Industrial Disputes in Colorado," *Journal of Political Economy*, vol. 35, October, 1927, pp. 657-83.

16. *Ibid.*, pp. 676, 681.

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of counts, including its failure to use reliable cost of living data as a basis for wage decisions, failure to establish a uniform principle of wage determination, and failure to analyze carefully the ability of an industry to pay a given wage. Slowness and the lack of a consistent policy have contributed much to the commission's inefficiency in settling disputes of major importance. It has been charged with having been unable or unwilling (1) to prevent employers from preparing for a strike during the thirty-day period, (2) to safeguard individual wage earners against discrimination for activities connected with wage demands, or (3) to help in eliminating the causes of disputes in industry. Finally, it is urged that the law is defective in that it fails to give protection to unorganized workers. The law undoubtedly needs further modification.

3. *Conciliation and Arbitration Act of British Columbia.* This law, passed in the fall of 1937, established the right of labor to organize for any lawful purpose and set up the machinery whereby industrial disputes can be settled quickly and peaceably. It repealed the British Columbia Industrial Disputes Investigation Act of 1925 which provided for the application of the Dominion Industrial Disputes Investigation Act to all disputes over which the province of British Columbia had jurisdiction.

The new law covers all employers of one or more workers in all industries, except agriculture and domestic service, engaged in work over which the province has control. It prohibits strikes or lockouts during the time of application for the appointment of a *conciliation commissioner* and for fourteen days after the date designated for voting the acceptance or rejection of the report of an *arbitration board*. The latter body is to be set up by the commissioner or the Minister of Labor whenever he feels that conciliation efforts are not proving successful.

The unique characteristic of this plan is the disposition of the decision of the arbitration board. This award is submitted to a secret vote of acceptance or rejection by both employers and employees, after which time either party may take up the ordinary methods of industrial warfare or call for a further extension of time if the terms of the award are found to be unacceptable. The law specifically stipulates that "no court

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shall have power to enforce any award made under this law." An offender is liable to a fine not exceeding \$500 for any violation of the statute.

In principle the Conciliation and Arbitration Act of British Columbia is still quite similar to that of the Dominion Act, the major difference between these two laws being that in the case of the British Columbia act emphasis is placed on attempts to settle the trouble through conciliation followed by compulsory arbitration with a voluntary acceptance of award, while in the case of the Dominion law the emphasis still rests upon the principle of enforcement through public opinion.

VOLUNTARY ARBITRATION. Most of the leading nations of the world, aside from those discussed above, have made at least some experimentation in the field of voluntary arbitration, although only a few have urged a nationwide acceptance of this principle. Since application has generally met with widespread approval and success wherever it has been tried, several of the most successful plans are worthy of detailed review.

1. *The British Laws.*¹⁷ Intervention in industrial disputes by the government in Great Britain is limited to the provision of facilities for voluntary conciliation and arbitration. The position of the British people with regard to the adjustment of labor disputes is defined in two separate laws, the Industrial Courts Act of 1919 and the Trade Disputes and Trade Unions Act of 1927.¹⁸ The first law, an outgrowth of a number of preceding legislative moves to curb the extent of industrial warfare which culminated in the Whitley Council scheme previously described, gives statutory effect to the government's declared policy of encouraging employers and employees to settle their own disputes rather than to resort to government intervention. A dispute is not referred to arbitration until the conciliation procedure existing in the trade is exhausted. A permanent court of arbitration, called the Industrial Court, has been created, consisting of persons appointed by the Minister of Labor for the purpose of settling trade disputes upon consent of both

17. See also *Monthly Labor Review*, vol. 47, July, 1938, pp. 39-51.

18. This law was modified somewhat by the Trade Disputes Act of 1929-1930, which was withdrawn under opposition a short time after it was passed, thus leaving the act of 1927 in force.

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parties concerned. Courts of inquiry are established, which make immediate investigation of any existing or apprehended dispute and give to the public an impartial report of its merits. In accordance with British policy, arbitration under the act is purely voluntary. Acceptance of awards is not compulsory, but only infrequently are the arbitration rulings rejected. The machinery of arbitration is to be used in emergencies arising from the failure of employers and employees to adjust their differences. In deference to the wishes of organized labor no antistrike clause was inserted in the act of 1919, so that prevention rather than prohibition of strikes is promoted.

A court of inquiry may consist of one person or of a chairman and several persons appointed by the Minister of Labor. The court may call for all documents and compel the attendance of witnesses in securing information concerning a dispute, but it cannot publish information thus solicited except by the consent of the parties concerned. The personnel of the Industrial Court must consist of representatives of the public, employers, and employees, the length of office of its members being determined by the Minister of Labor. The court normally sits in London, but hearings may also take place in other industrial centers. Individual members may conduct cases in less important localities where emergencies arise. From 1929 to 1936 over 500 cases came up for settlement under the act.¹⁹

The Trade Disputes and Trade Unions Act of 1927 was passed partly in an attempt to prohibit a recurrence of general strikes like the one in England in 1926. But it also introduced other limitations upon labor, most of which were aimed at restricting the right to strike. Most important were the provisions that (1) any individual engaging in a trade dispute is liable to criminal proceedings if by the breaking of a contract of service, injury, danger, or grave inconvenience to the community is likely to result; (2) a strike is illegal if it has any object other than the furtherance of a trade dispute within the industry or trade in which the strikers are engaged, or if it is likely to cause public hardship. This latter provision makes illegal the general strike, most sympathetic strikes,

19. J. Henry Richardson, *Industrial Relations in Great Britain*, International Labor Office, Studies and Reports, Series A, no. 36, 1938, p. 153.

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and most strikes for gains other than those in wages, hours, and working conditions. All these restrictions are violently resented by the trade union movement which is still struggling, so far without success, to effect a repeal of the law.

That considerable progress toward industrial peace has been made in England under these laws is reported by the United States Commission on Industrial Relations in Great Britain appointed by President Roosevelt in 1938 for special foreign investigation. In concluding its report, the Commission stated in part:²⁰

Labor and employer organizations have been further strengthened by the frequent support and encouragement which they render to each other. Repeatedly employers and representatives of employers' organizations stated to us that they preferred strong unions to weak ones, because the strong union is better able to secure the fulfillment of agreements and is better able to bring competitors up to the wage and hour standards of the industry, as set by the agreements. Repeatedly labor representatives stated to us that they preferred strong employer organizations to weak ones, because the stronger the organization the fewer the units which remain outside to undermine industry standards. . . . We can . . . state with certainty that among the persons we conferred with there was a common feeling of confidence in the existing method of handling industrial relations, and that in those industries where collective bargaining between national unions and national associations of employers have long been established, strikes have been rare, and in a few instances nonexistent (with the exception of the general strike in 1926), since the very beginnings of the collective-bargaining arrangements.

These conclusions add considerable weight to the suggestion that valuable principles have been incorporated into the British approach to problems of labor.

2. *Judicial Settlement of Disputes under the Trade Agreement.* As indicated in our discussion of unionism, employers and employees have through the trade agreement established for many industries a sort of constitutional government. Constructive efforts are made to make industry peaceful and mutually beneficial. Nowhere is arbitration by mu-

20. U. S. Department of Labor, *Report of the Commission on Industrial Relations in Great Britain*, 1938, pp. 22, 23, 24.

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tual agreement better illustrated than in the clothing and textile industries in the United States, where judicial machinery is set up under trade agreements. Following a serious strike in Chicago, an agreement was made first in 1910 between certain clothing firms and the United Garment Workers, affiliated with the American Federation of Labor. At present the agreement is with the Amalgamated Clothing Workers of America, an affiliate of the Congress of Industrial Organizations. The plan is the result of recognition by employers of the close relation between a contented personnel and production efficiency. It is expected that out of the agreement "will issue such co-operation and good will between employers, foremen, union, and workers as will prevent misunderstanding and friction and make for good team work, good business, mutual advantage, and mutual respect."²¹

Administration of the clothing agreement is vested in a Board of Arbitration and a Trade Board. When a grievance arises on the floor of the shop it is reported at once by the complainant to the union shop representative, or shop chairman, who presents it without delay to the labor manager or shop superintendent. These two try to make an adjustment, but in case they fail the matter is reported to the deputy. Deputies are chosen by employers and by employees to represent them in the execution of the terms of the agreement. They work in co-operation with the Board of Arbitration and have power to investigate, mediate, and adjust complaints. Settlements made by them are legally binding upon their principals unless reversed by the Trade Board.

The Trade Board consists of eleven members, all of whom, except the chairman, are employees of the company. Five members are chosen by the company and five by the union, selection being on the basis of departmental representation. The chairman is chosen jointly by the two parties to the agreement. It is provided that he shall maintain an office where he will be available for prompt hearing, mediation, and adjustment or decision of cases brought before him under the terms of the agreement. The Trade Board is the primary agency in adjusting grievances and has original jurisdiction over issues and decisions arising

21. For a full account of the growth of this experiment in collective bargaining and arbitration see *Monthly Labor Review*, vol. 45, July, 1937, pp. 17-28.

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under the agreement. It considers mainly fact and testimony. Its decisions are by majority vote and are presented in writing to both parties.

Appeal from the decisions of the Trade Board may be made to the Board of Arbitration, which is concerned chiefly with questions of principle and the application of the agreement to new issues as they arise. The agreement provides that the Board of Arbitration shall have final jurisdiction and shall consist of one person, a chairman, who shall be the mutual choice of the two parties. But the board may be enlarged, if necessary, by two additional members appointed either jointly by the two parties or by each naming one member. Neither the Trade Board nor the Board of Arbitration has power to add to the terms of the agreement or to enlarge its jurisdiction except by consent of the two parties. The salaries of the chairman of the Board of Arbitration and the chairman of the Trade Board together with other expenses of maintaining their offices are borne jointly by the two parties to the agreement.

The remarkable success with which this voluntary arbitration plan has met many perplexing employment problems has encouraged a rather widespread adoption of its principles into several other American industries. Among those now practicing voluntary arbitration on a wide scale are the shoe, paper and pulp, furniture, jewelry, textile, maritime, and railway industries. Because of the notable way in which the plan covering the railway workers has checked the occurrence of costly and futile strikes throughout the nation, it serves as a model structure which doubtless will be copied, in modified form, by other of the country's major industries. For this reason it will be well to review the details of this program.

3. *The Railway Labor Act.* The original Railway Labor Act, sponsored by both railway employees and executives, was approved by the President on May 20, 1926. Since then it has been amended twice, once on June 21, 1934, when the so-called company-dominated unions were made unlawful and again in 1935 after the 1934 act had been declared unconstitutional. At the time of the last amendment (1935) objectionable features were revamped and the workers in the air transport in-

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dustry were brought within the scope of the program. As the act now stands, in refined and modified form, it is the result of a series of efforts on the part of Congress to assure an amicable adjustment of industrial disputes between the workers and operators. The new law is the direct result of dissatisfaction with the labor clauses of the Transportation Act of 1920 and the conduct of the old Railroad Labor Board.²²

The Railway Labor Act of 1926 abolished the Railroad Labor Board created by the Transportation Act of 1920. The new law is based upon the traditional American principle of voluntary arbitration and a minimum of governmental interference. The act divides railway disputes into two classes, namely, those involving changes in rates of pay, rules, or working conditions and those arising out of the interpretation and application of agreements. To promote industrial peace the act provides for the functioning of several different agencies: Joint Conferences, System Adjustment Boards, National Railroad Adjustment Board, National Mediation Board, and Emergency Investigating Board.

The initial step in the adjustment of railway labor disputes is direct negotiation between the two parties concerned. This is followed by joint conferences of representatives of the carriers and employees immediately and directly concerned. Both parties to a controversy are to be free to choose their own representatives in the manner that they deem best, without outside interference or coercion. Next either party to a dispute involving changes in rates of pay, rules, or working conditions may invoke the services of the National Mediation Board, or, if the board deems it wise, it may offer its own mediation services. In either event, the law requires that during this period of negotiation the terms of the old contract shall apply, and the employees shall remain at their tasks. If mediation does not prove to be acceptable or successful, then voluntary arbitration may be sought. In this case a written con-

22. Legislation for this purpose had previously been embodied in a series of acts, beginning with the act of 1888 and including the Erdman Act of 1898, the Newlands Act of 1913, section 8 of an act passed in 1913, which created the Department of Labor, and the Transportation Act of 1920.

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tract requiring the acceptance of the decision of an Arbitrator or Arbitration Board as final and binding for one year must be signed by both parties.

For adjudicating disputes between carriers and their employees "growing out of grievances or out of the interpretation or application of agreements" which cannot be settled in the required conferences before the System Adjustment Board, the amended act creates a National Railroad Adjustment Board to render final and binding awards. Disputes of this character are placed in the hands of a System Adjustment Board if the employees are represented by the independent railway unions, or directly before the National Railroad Adjustment Board if members of a standard railroad labor union are involved. On all the System Boards and also on the National Railroad Adjustment Board the workers and operators have equal representation, and each party to the dispute appoints its respective representatives. The latter board is composed of eighteen members chosen by the national railroad unions and eighteen members chosen by the operators. The members are selected to represent the major divisions of the occupations involved, including crew service, train service, shop service, yard service, and so on, and these respective occupational group members, in turn, make up subcommittees which take care of complaints arising within their special divisions.

In case the foregoing agencies fail to effect a peaceful settlement, and if in the judgment of the National Mediation Board such a dispute threatens to interrupt interstate commerce at least to a degree that may deprive any section of the country of essential transportation services, the board must notify the President of the United States. The President may in turn, if he deems it advisable, appoint an emergency fact-finding board to investigate the dispute and report back to him within a thirty-day period. Until this agency has announced its findings, and for at least thirty days thereafter no strikes or lockouts are to occur. But after this period—a total of sixty days at the most following the appointment of the special presidential board—either party to the dispute is free to resort to any legal means of industrial warfare, unless any difficulty between employer and employee proves to be a constant

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source of trouble. In this case the matter is again returned to the National Mediation Board whose duty it is to restore harmony through the process of voluntary mediation or arbitration.

The Railway Labor Act enunciates no new principle of adjustment, nor does it provide any novel method of procedure. In fact, practically all of its provisions represent a recrudescence of principles and methods embodied in previous statutes. But its operations, especially since 1934, have attained notable success, during which time it has certified representatives in hundreds of disputes over bargaining privileges, adjusted thousands of individual grievances among railroad workers, and served on several occasions as a tremendous force leading to the peaceful settlement of wage issues which very easily could have developed into general railroad strikes throughout the country.

One of the most important cases in the history of the act arose in the spring of 1938 when the operators of Class I railroads served notice of intention to reduce wages by a blanket 15 per cent, an amount which meant a yearly saving to them of \$250,000,000 but an equal loss to employees in earnings. Immediately direct negotiations between representatives of the unions and carriers were instituted; but these, together with the efforts of the National Mediation Board, failed to effect a settlement. President Roosevelt then acted under section 10 of the Railway Labor Act, creating an emergency board which began holding hearings and investigating the financial problems of both the railroads and the workers. The board's study concurred in the railroad's contention that the situation was serious, but found no justification for lowering wages of rail workers, which were found to be "not high when compared to the wage level of other industries." The emergency board maintained that "the carriers will need to adjust themselves by means more heroic than wage reductions." Acting on the board's recommendations the roads on November 4, 1938, withdrew their demands for the wage reduction and a national strike was avoided.

THE GOVERNMENT AND INDUSTRIAL RELATIONS. Of growing importance in the field of industrial relations is the work of the United States Department of Labor and the closely associated various state departments of labor. Aside from enactment of protective legislation embodied in

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the National Labor Relations Act and similar legislation, to be discussed in a following chapter, the federal government has been directly responsible for the widespread promotion of industrial peace. This is accomplished by two different types of activities: those of the Department of Labor itself, of which the United States Bureau of Conciliation is the principal agent; and those resulting from its appointment of special arbitrators and boards to promote mediation and arbitration within industries especially fraught with unrest. These agencies have become so significant that they must be recognized in our consideration of the methods and techniques involved in the settlement of industrial disputes.

1. *Work of the United States Department of Labor.* Until near the close of the nineteenth century industrial relations, as we have seen, were governed almost entirely by individual employer-employee bargaining. Although trade unions had developed within a few scattered industries, the doctrine of *laissez faire* dominated general business activities. Even then, to some extent, industry was supported by government and legislation; high tariffs prevailed; patent laws were enacted to encourage inventions; and the courts outlawed unions under the doctrine of conspiracy. It was a period characterized by the refusal of industry to recognize the rights of the working class. One is not surprised to find that during the early years of the twentieth century steps were taken by the government leading toward the establishment of peaceful negotiation of labor difficulties and the promotion of the interests of working people.

One of the first steps was taken at the end of 1913 when the United States Department of Labor was created. The Secretary of Labor is a member of the President's Cabinet and is charged with the responsibility of fostering, promoting, and developing the welfare of wage earners throughout the nation, improving their working conditions, advancing their opportunities for profitable employment, and promoting the peaceful settlement of struggles which arise between their employers and themselves. The secretary has power to appoint *commissioners of conciliation* and special arbitrators from time to time whenever such action seems to be justified in the public interest. The secretary also has power

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to direct the collection of statistical data and other information of similar character; to collect and publish data concerning collective labor agreements, wages, hours, living costs, labor disputes, and arbitration awards; and to investigate matters concerning child and maternal welfare.

There are two distinct stages in the development of the United States Department of Labor. The first stage, from its inception to the time of the New Deal legislation which began in 1933, extended through the World War and the period of reconstruction. During this time numerous mediation and arbitration activities were launched by the government, most of them under the supervision of the department itself. Early in 1918 the President established the *War Labor Administration* under the chairmanship of the Secretary of Labor, who in turn appointed an Advisory Council. The program of this board provided for the extension of existing divisions of the department and the establishment of new services in an attempt to co-ordinate the field of labor for the national emergency.

In the war years heavy demands were made both upon worker and employer to meet the urgent needs brought on by the emergency. To this end a number of special labor boards were created. A *War Labor Conference Board* had as its purpose "the formulating and concluding of agreements upon definite principles and policies for the government of relations between capital and labor." This board in turn recommended the creation of the *National War Labor Board*, composed of representatives of employers, employees, and the public, whose chief function was to act as a court of last resort in the settlement of labor disputes. Finally there was created the *War Labor Policies Board*, an administrative agency brought into being to determine the policies for unified labor administration and to co-ordinate activities of all departments into a single consistent policy.

The principles and policies formulated by these agencies were:

- (a) Abandonment of strikes and lockouts for the duration of the war.
- (b) Full recognition of the rights of both employer and employee to organize into their respective associations or trade unions.
- (c) Respect for full union wages and hours in union shops.

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(d) Equal pay for equal work performed by women in competition with men.

(e) Application of the basic eight-hour day to all cases.

(f) The maintenance of maximum production within the limits of safety.

(g) In the fixing of wages or hours, due regard for the standards prevailing in the locality affected.

(h) Making available, through the Department of Labor, of information concerning the supply of and demand for labor.

During the war period serious unbalances between wages and living costs provoked many industrial disputes leading to strikes, even though these agencies of mediation undoubtedly furnished machinery which aided in the regularization of employment and the peaceful adjustment of disputes. None of these boards had any legal power to compel either side to submit to arbitration, and this proved to be a significant weakness in their successful operations. Following the war period, a natural reaction against interference by the government in labor relations set in, and it was not until the depth of the depression was reached in 1933 that leadership in this field was reassumed. Since then some twenty-two industrial relations boards have been established by the government. Among the most important have been the national mediation boards in the automobile, clothing, coal, steel, newspaper, petroleum, printing, shipbuilding, and textile industries. Since most of these were created to aid in the administration of the National Industrial Recovery Act, they no longer represent a significant force in industrial peace.

The work of the United States Bureau of Conciliation, however, has become increasingly significant during the years of the past decade. Established in 1913, the bureau is charged with the duty of using its good offices, through some fifty commissioners of conciliation scattered throughout the industrial regions of the nation, in seeking the peaceful settlement of any trade dispute arising between worker and employer. The Conciliation Service, unlike the National Labor Relations Board, has no law to enforce. Its representatives possess no police or other power, but it can be brought into a labor dispute that is open to mediation or conciliation at any stage of the controversy. The usual procedure followed by the service is to arrange a conference of both sides with the representative of the department (a Commissioner of Conciliation) as

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voluntary mediator, at which time possible solutions are offered. After proceedings have progressed to the proper stage, a plan is submitted by the conciliator for the voluntary approval of both sides. Often the plan is accepted since it comes from an impartial third party.

Several other lines of approach are also followed by the conciliators of the United States Department of Labor with noteworthy success. (a) In acting as negotiator of labor disputes and holding separate conferences with both sides, minor problems have been adjusted and the way has been paved for the settlement of major problems at a joint conference. (b) It has sometimes been possible for the conciliators to develop a satisfactory plan by drawing upon their own knowledge of trade agreements covering similar situations. (c) Through the independent drafting of a plan of settlement, the conciliators are able to submit a proposal as an impartial recommendation. (d) Oftentimes the Secretary of Labor is able to persuade the disputants to submit their difficulties, under terms of a working agreement, to an impartial arbitrator mutually satisfactory to both parties, or selected directly by the secretary from a list of names of impartial persons.

The conciliation service of government is based on the theory that there are two sides to every question. If the disputants can be encouraged to face each other with their respective versions of the issue, much can be accomplished toward effecting a peaceful settlement. Once this is gained, great loss in wages and business is thereby avoided, and the interests of the public are promoted. Often the latter interests far exceed those of either or both of the disputants. In a period of twenty-five years preceding 1939, the Conciliation Service had intervened in some seventeen thousand disputes involving sixteen million workers and billions of dollars of business. A majority of these cases were settled peacefully by this means. Although voluntary and quite informal, arbitration and mediation offer increasingly attractive future possibilities.

TRIBUNAL FOR VOLUNTARY INDUSTRIAL ARBITRATION. In the fall of 1937, the American Arbitration Association announced the creation of an unofficial, nonpartisan agency to be known as The Voluntary Industrial Arbitration Tribunal to offer facilities "on precisely equal terms, under equally fair conditions, to both management and labor" for the settle-

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ment of industrial disputes. Requests for the tribunal's services must be voluntary on the part of both disputants, and only those matters agreed upon will be considered for settlement. A further requirement set forth is that all other means of mediation and conciliation "must have been exhausted or failed through the efforts of the parties or other agencies before a board of arbitrators will be convened."

An administrative council appointed by the American Arbitration Association is responsible for the maintenance of a panel of well-qualified impartial arbitrators who are capable of serving if nominated by the parties to a dispute. These appointments cover a two-year period, but arbitrators may be removed by the council "for what seem to be good and sufficient reasons" at any time other than while working on a case. Usually an arbitration committee of three members is created to handle each case, although other arrangements may be made if agreed upon by both parties to the dispute. Hearings and investigations are conducted in the usual manner, and the status of the award is predetermined by mutual agreement before the arbitration case is opened.

Interesting as this new voluntary development is, there is not much likelihood, judging from past experience, that it will grow into a significant force in the maintenance of peaceful relations in the United States. Developments of this kind do not seem to thrive on the principle of voluntary action. Some degree of compulsion seems essential before marked progress can be anticipated.

Questions for Class Discussion

1. In what ways would you expect the community's approaches to a solution of the problems of labor to be different from those of (a) the employer; (b) the worker?
2. What are the present-day methods of industrial peace? How do these methods differ from those of a half-century ago?
3. Distinguish carefully between the terms conciliation, mediation, and arbitration. Between voluntary arbitration and compulsory arbitration. Between primary arbitration and secondary arbitration.
4. Cite a condition under which an employer who is party to a trade agreement might be encouraged to disregard the terms of the agreement to which he is bound. Under what conditions might the unionist who is a party,

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through his local or national organization, find it advantageous or beneficial not to be bound rigidly to the terms of a trade agreement?

5. Sketch briefly the major differences between the arbitration systems of New Zealand and Australia. In basic principle are they alike?

6. Why did the Kansas Court of Industrial Relations fail? Was its failure inevitable? Are all systems of compulsory arbitration doomed to failure?

7. What are the chief merits of a system of compulsory investigation and conciliation? Have experiences in this country and elsewhere demonstrated this method of industrial peace to have advantages over a system of compulsory arbitration? What are the major weaknesses of such a system?

8. Does the British arbitration law prohibit strikes and lockouts? Should these weapons of workers and employers be tolerated in modern society, especially in view of the tremendous economic and social losses resulting therefrom?

9. How are labor disputes settled in the railroad industry? Do you see any reasons, especially from the theoretical point of view, why systems of peaceful settlement similar to that provided by the Railway Labor Act could not be worked out for other American industries? Which industries would seem to offer the greatest opportunities for successful application? Which offer the fewest?

10. Describe how the Bureau of Conciliation of the United States Department of Labor might prove to be instrumental in effecting a peaceful settlement of a labor dispute in a large local factory.

11. What economic justification can you give for the government's interference in industrial disputes in the United States?

12. What is the future of the field of labor arbitration in America? What do you consider to be the soundest method of establishing a greater degree of industrial peace? Can complete industrial peace be attained?

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Chapter 28

EMERGENCY AND SOCIAL SECURITY LEGISLATION

¶ **GOVERNMENTAL PROMOTION OF SOCIAL SECURITY.** Our review of the approaches of workers and employers to labor problems has shown how dependent each group is upon the conciliation service of state and federal governments. But not all problems of labor can be met through the mediation or arbitration of industrial disputes. Many of the workers' problems, especially those of unemployment, old age, sickness, and accident, are the results of conditions over which the employer does not have complete control. No matter how strongly organized labor is, or how progressive and scientific the employer's personnel policy may be, such problems cannot be solved by workers or unions and employers or employers' associations alone.

Progress in the field of labor has thus been inseparably bound to various types of labor legislation. "Needs that were narrow or parochial a century ago may be interwoven in our day with the well-being of the nation."¹ In the United States, during the past few years, the old doctrine of *laissez faire* has been forced into the background of the American scene. Not only are we now subscribing to the doctrine that it is the chief function of government to protect and promote the public welfare, but we have incorporated this doctrine into law and are actually administering it under a nationwide social security program.

Innumerable individuals have gained a greater measure of well-being from this social legislation. These include millions of workers who have benefited by emergency relief programs of state and federal governments,

1. From the United States Supreme Court decision upholding the constitutionality of Titles II and VIII of the Social Security Act, May 24, 1937, written by Mr. Justice Cardozo.

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and millions of others who for some years have been enjoying the protection of state workmen's compensation insurance. To these must be added the new tens of millions who share the benefits afforded through state unemployment compensation, federal old-age pensions, and joint state-federal maternal, child welfare, and public health services. Still to be protected, however, are the millions of workers and their families who from time to time find it impossible to obtain or to pay for adequate health services. In this chapter we shall consider just how the problems of labor are lessened in severity by means of recent unemployment relief and social security legislation. In the following chapter, workmen's compensation insurance will be analyzed and a constructive health insurance program for workers and their families will be considered.

RELIEF FOR THE UNEMPLOYED AND DESTITUTE. A review of the shift in family incomes during the depression years, and also of the apparent inadequacy of the net family incomes received by an alarmingly high number within any state of the nation even during so-called normal years, serves to suggest to the most complacent observers the necessity for extending some measure of relief to those within the lowest income groups. Care of the destitute has always been a responsibility of organized society. Not until 1932, however, did our national government take steps to recognize the character of the unemployment and relief problem. In that year, an important advance was made by the enactment of the Emergency Relief and Construction Act, which authorized the Reconstruction Finance Corporation to make available \$300,000,000 to states and local governments for emergency relief of the destitute. Even though the act attempted to maintain the traditional system of local relief agencies in meeting relief problems, it nevertheless marked a significant departure from the old policy of aloofness followed for so many years by the federal government in matters relating to the economic and social well-being of the nation's unemployed and destitute citizens.

1. *Federal Emergency Relief Administration.* By the early part of 1933, the relief problem resulting from continued and increasing unemployment became extremely acute.² By this time some 15,000,000 wage

2. See Chapter 7.

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earners were out of work, and the \$300,000,000 appropriation made a few months earlier was nearing depletion under a relief load of 5,400,000 recipients of federal, local, and charity funds. In May, 1933, the need for further federal aid in meeting the emergency situation was recognized in the passing of the Federal Emergency Relief Act (FERA), thereby appropriating \$500,000,000 which was placed into the hands of state governors who reallotted the funds, supplemented by state funds, to local relief agencies. These appropriations, together with local funds, were spent under the threefold objective of the FERA:³

1. To provide relief throughout the country in accordance with adequate standards.
2. To institute work programs for employables on relief.
3. To diversify the entire relief program so as to provide different programs for groups of persons with different needs.

Over a million persons were employed on pre-FERA projects in anticipation of the inauguration of the federal government relief program. Broad policies were announced relating to the wages, hours, and conditions of work. At first, "fair wages" were to be paid those who worked under the program, although this was later changed to provide for the payment of "prevailing wages." But earnings proved to be very low, supervision was not efficient, projects were not sufficiently diversified to take care of all types and abilities of those needing work relief, and many of the projects appeared to be of questionable social value. By the end of 1933, it was apparent that significant changes in the relief program would have to be made if reasonable standards were to be maintained.

2. *The Civil Works Administration.* To overcome these difficulties, the Civil Works Program was launched in the winter of 1933-1934, under the theory that the injection of purchasing power into the economic structure of the nation through the initiation of work programs of economic and social value performed on public property which would not normally be carried on by other relief agencies would relieve the situation and encourage employment. The major distinction between

3. For a complete and official history of the national relief program, see Arthur E. Burns and Edward A. Williams, *A Survey of Relief and Security Programs*, Works Progress Administration, Washington, May, 1938.

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the CWA and the FERA programs lay in the fact that the former placed complete authority in the Civil Works Administration, a federal agency with headquarters in Washington staffed with a personnel of federal employees, while the FERA organization was decentralized, and its operation was largely left to the responsibility of the states and local agencies.

The major part of the Civil Works Program was short lived, having sprung into existence during the late fall of 1933 and being terminated in the early spring of 1934. By January 18, 1934, scarcely two months after being organized, the program reached its employment peak of 4,263,644. This involved a weekly expenditure of \$63,136,903. Costs of the program amounted to \$931,103,000, about 80 per cent of which was spent for wages. Of this total amount, the federal government provided \$844,067,000, local governments provided \$84,000,000, and state governments accounted for the balance. At best the program was a poor work relief makeshift, though the emergency conditions under which it was launched must be recognized in any fair evaluation of the program. The major difficulties encountered during its short life seemed to be those of poor or improper planning of projects and work hardships encountered during winter months. On the whole, however, it did succeed in getting relief into the hands of millions of people, and afforded valuable experience in the development of a more effective program later on.

3. *Emergency Work Relief Program.* Upon the termination of the major CWA program, the states co-operated with the FERA in the establishment of a new program known as the Emergency Work Relief Program. The general policy of this new program was to give employment to relief persons only, whose earnings were to be determined upon a basis of the need of individual families. Hourly wages were paid upon a basis of those prevailing locally, and from April, 1934, through June, 1935, monthly earnings averaged \$28 per person. By January, 1935, approximately 2,500,000 people were employed in this part of the federal program, and they represented about half of the total relief load of the federal government at the time. Many of the projects left stranded at the termination of the CWA program were finally completed under

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the EWA, but FERA grants were exhausted during the second half of 1935, at which time this new program was brought to an end.

The federal government's general relief program during this period of the depression was completed by the extension of certain direct relief benefits given to over half of the total number of cases, as can be seen from Chart 29 below. At one time during the winter of 1934-1935 almost three million people were being taken care of through the federal extension of direct relief, and over two million others were provided for through general relief.

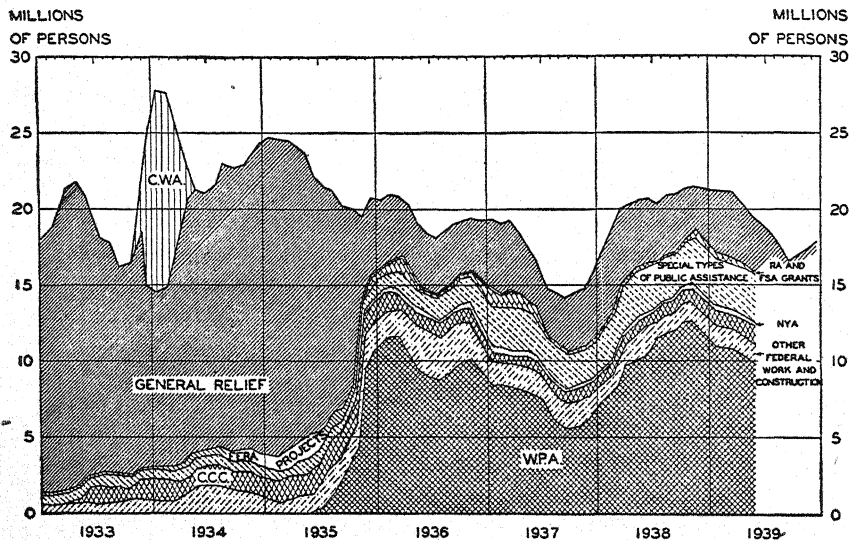
4. *The Federal Works Program.* The Federal Works Program was established to provide employment for the idle destitute who were on the relief rolls in 1935 or who might subsequently become destitute through unemployment. This load was accepted as a federal responsibility, since unemployment and ensuing destitution were seen as a national problem. The underlying theory upon which the works program has been developed is that enforced idleness on the part of those who are able and willing to work is a major social issue. Work must be provided for such unfortunate individuals, and, if no other employer is able or willing to accept the employment responsibility, the government must do so.

Several agencies have been brought into existence to carry on this program. The most important of these, from the point of view of relief extended, as Chart 29 clearly suggests, has been the *Works Progress Administration* (after July 1, 1939, known as the *Work Projects Administration*), which performs the dual function of operating non-federal, locally sponsored work projects and of co-ordinating the work of all agencies participating in the Works Program. During December, 1939, approximately 2,500,000 persons were employed by the Work Projects Administration and on other federal work construction projects.

Other important agencies are the *Public Works Administration*, *Civilian Conservation Corps*, *Farm Resettlement Administration*, *Rural Electrification Administration*, and the *National Youth Administration*. The NYA program has been carried on along two lines of attack. It has been concerned with the problems of providing part-time employment to needy high school and college students between 16 and 25 years of age, under regulations similar to those stipulated on regular

CHART 29

PERSONS RECEIVING RELIEF AND EMPLOYMENT ON
FEDERAL WORK AND CONSTRUCTION PROJECTS



SOURCE: Special communication from the Federal Works Agency, Work Projects Administration, Washington. For current data, see the issues of the *Social Security Bulletin*. (Total figures for July-December, 1939 are taken from the *Social Security Bulletin*, vol. 3, February, 1940, p. 55.)

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WPA projects. During December, 1939, some 433,000 youths received part-time employment under this phase of the program. During this same month 266,000 young persons were receiving employment through the CCC in the protection and development of the nation's parks and forests. Rural rehabilitation and resettlement activities include those of homesteading, scientific farming experimentation, and financial and other aid extended in resettlement.

FINANCING FEDERAL RELIEF AND PUBLIC ASSISTANCE PROGRAMS. The widespread direct and work relief activities have been carried on at tremendous public expense. During the seven-year period 1933-1939, the total amount spent for public assistance and work relief earnings from federal, state, and local funds under public programs in the continental United States was \$19,142,029,000. The volume of expenditures, as is shown in Table 50, increased each of the six years following 1933 except during 1937, rising from over \$1,300,000,000 in the former year to almost \$3,500,000,000 in 1938 and 1939.

Public assistance has been extended to the aged, to dependent children, and to the blind, and to unemployed persons under the special programs of the Emergency Relief Administration and Farm Security Administration upon a basis of the particular need of the worker and his family. Earnings under the Federal Works Projects, on the other hand, have been based on fixed wage rates and hours, and persons employed on these programs have been selected from the general unemployed as well as from persons certified as in need of relief. During the years 1936 to 1939, persons employed in the latter group have received the major portion of aid. The average amount spent for all federal public assistance and earnings per inhabitant increased from \$10.62 in 1933 to approximately \$27.00 in each of the years 1938 and 1939. In addition to these federal expenditures for relief purposes, contributions from the state and local governments have provided no small portion of the direct relief funds, especially since the middle of 1936, and must be added to these federal totals to secure the entire picture of relief financing.

Thus it is seen that the two broad programs of the government, the Assistance and Works Programs (now Work Projects), up to 1940 in-

TABLE 50

AMOUNT OF PUBLIC ASSISTANCE AND EARNINGS OF PERSONS
EMPLOYED UNDER FEDERAL WORK PROGRAMS, 1933-1939
(in thousands)

Program	1933	1934	1935	1936	1937	1938	1939
Total	\$1,135,652	\$2,379,098	\$2,523,480	\$3,254,195	\$2,868,611	\$3,487,114	\$3,493,879
I. Public Assistance	814,412	1,284,202	1,594,096	676,610	840,338	1,009,385	1,066,830
Old-age assistance	26,071	32,244	64,966	158,196	310,508	392,876	430,666
Aid to dependent children	40,504	40,686	41,727	49,455	71,159	97,336	114,954
Aid to blind	5,839	7,073	7,970	12,813	16,174	19,164	20,437
General relief	741,552	1,176,527	1,401,476	438,673	406,600	477,409	481,723
Relief under special FERA	446	27,672	75,416	107	2		
Farm Security Administration			2,541	20,365	35,894	22,600	19,050
II. Earnings under Federal Works Program	521,239	1,094,896	929,384	2,577,586	2,028,273	2,477,729	2,427,049
CCC	140,736	260,957	332,851	292,391	245,756	230,166	220,513
WPA			238,018	1,592,040	1,186,266	1,750,725	1,564,515
NYA Student Aid			6,364	25,900	24,288	19,594	22,644
NYA Works				28,884	32,663	41,554	61,505
CW Program	214,956	503,059					
Other Federal Work & Construction Projects	165,548	330,880	352,152	638,371	539,299	435,690	557,872

SOURCE: Social Security Board, *Social Security Bulletin*, vol. 2, April, 1939, p. 46, and vol. 3, February, 1940, p. 50.

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volved the expenditure of over seven billion dollars and twelve billion dollars, respectively, in an attempt to overcome the suffering and sacrifice brought on by unemployment and inadequate incomes. But these expenditures have rendered at best only temporary and remedial aid, and have been responsible for an alarming increase in the national debt, a factor which many students of national economy believe has greatly retarded genuine recovery in the United States. Therefore, other programs must be looked to, although, under the strain of meeting human needs, most of these expenditures seem to us to have been justified. But they cannot and must not be kept up indefinitely.

THE SOCIAL SECURITY ACT. Much of this program has been initiated through the passing of the Social Security Act, approved by the President on August 14, 1935, and amended four years later in August, 1939. In approving the act, President Roosevelt described it as "a law that will take care of human needs and at the same time provide for the United States an economic structure of vastly greater soundness," but he hastened to add that it is "a cornerstone in a structure which is being built but is by no means complete." The intention of Congress to continue the erection of this structure has been borne out fully by the judicious amendments attached in 1939. These have already greatly strengthened its foundations.

Since the act has passed safely through its first major revision, we shall be concerned with its present provisions as set forth in the amended form. There are eleven titles to the act. Title I provides grants to states for old-age assistance. Title II provides for federal old-age and survivors insurance benefits. Title III establishes a schedule of grants to states for unemployment compensation administration; Title IV provides aid to states for dependent children; and Title V allows state grants for maternal and child welfare and vocational rehabilitation. Title VI extends the scope of public health work. Title VII creates the Social Security Board as the administrative body of the act. Titles VIII and IX impose taxes with respect to employment for the purpose of financing the program, the former through the new *Federal Insurance Contributions Act*, and the latter through the *Federal Unemployment Tax Act*. Title X sets up a schedule of grants to states for aid to the blind.

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Finally, Title XI states general provisions of the law not otherwise covered. This social security legislation is so new and so significant to American workers that each of its phases must be considered in detail.

COMPULSORY UNEMPLOYMENT COMPENSATION. Our review of the problem of unemployment has emphasized the permanent character of at least a certain irreducible minimum of enforced idleness among working people. The essentially dynamic nature of modern industry yields constant changes in technique that cause considerable unemployment. Such improvements will continue to cause labor displacement. The climatic factor of the seasons and the changes of fashion will undoubtedly remain as disturbing influences in the trend of production. Thus, for some time at least, unemployment will remain as an exigency of industrial life that must be met by some system of financial help to the unemployed. Charity and unemployment compensation appear as the alternative methods of relief, and it is not difficult to choose between them. Charity as a source of unemployment relief is universally condemned except in special cases. Bread lines, soup kitchens, and unemployment doles of any kind are to be discouraged, since indiscriminate giving to able-bodied persons has a deleterious effect upon the individuals and society. Unemployment compensation is more in accord with the dignity of self-respecting wage earners in a democratic community.

The voluntary unemployment "insurance" plans of workers and employers are confined, as we have seen, either to a few progressive companies or to several highly organized trades and industries. While these plans represent noteworthy steps in the progress of experiments for meeting unemployment, they are admittedly too restricted in scope and influence to deal effectively with the larger phases of the problem. Social legislation upon a nationwide basis has been necessary to assure the best results.

SOCIAL INSURANCE AND UNEMPLOYMENT COMPENSATION. Insurance is the acceptance of a small but certain loss for a large but uncertain one. All forms of insurance represent attempts to evaluate the extent of loss brought on by the occurrence of the commonly recognized contingencies of life, such as accident, illness, invalidity, death, and losses suffered through the destruction of property. Private insurance applies this prin-

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ciple individually by voluntary action. It is used mainly to cover life and property losses experienced by those within the higher economic groups, and is promoted by private, profit-seeking organizations which attempt to select their risks. Social insurance, on the other hand, involves the widespread application of the risk-sharing principle chiefly to the hazards of life which fall indiscriminately among all members of society regardless of economic status. These losses have not, as a rule, been covered by private insurance companies. Thus the major objective of social insurance is that of a widespread sharing of the common hazards of life for the good of the members of society, without the seeking of individual profits. Under this form, the incidence of the cost of such a program falls upon society as a whole rather than upon those who benefit, or rather than in direct proportion to the amount of benefits for which they individually are eligible.

Successful application of the insurance principle necessitates a fairly accurate estimate of the amount of risk involved, an accumulation of funds in amount sufficiently large to compensate for at least a sizeable portion of the losses sustained by insured members, and the application of a schedule of benefit payments calculated to maintain the liquidity of the fund with a reserve margin sufficiently large to meet any possible emergency. The risk must be widely shared through the coverage of many persons in order to reduce the cost of such a program. The fund established must be a "revolving fund" under which the steady repetition of losses and the steady contributions on behalf of insured members dissipate and replenish the fund.

In the light of this principle, obviously there are several basic reasons why losses sustained through unemployment are not insurable losses. To be insurable the loss sustained must be predictable. But our analysis of unemployment has already shown that countless factors bear upon the business situation, thus making the losses sustained through unemployment unpredictable. This means that any so-called "unemployment insurance" scheme at best can rely only upon rather unsteady experiences of the past which may or may not be duplicated in the future. The funds to cover such losses, therefore, must be collected over long periods of time, during which conditions may change to such an extent that the

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pool thus accumulated may or may not prove to be totally adequate to meet a schedule of benefit payments provided under the plan. For this reason, there is no such thing, accurately speaking, as "unemployment insurance." All schemes, no matter what they may be called, must be no more than forms of unemployment compensation. Nevertheless, they may be genuine measures affording great relief during unemployment periods and lending stability to the business curve, thus providing greater security to the working people who benefit under such programs.

UNEMPLOYMENT COMPENSATION EXPERIENCE ABROAD. While new to this nation, the principle of social insurance and unemployment compensation has passed through several decades of trial in many other nations throughout the world. By the end of 1937, Canada, Australia, Queensland, and nineteen nations of Europe were maintaining some widespread form of compulsory or voluntary unemployment compensation. Among the oldest of these are the voluntary systems of Belgium and Switzerland and the compulsory systems of Great Britain and Germany.

1. *The Belgian Plan.* With the exception of a short interruption during the period of the World War, a system of voluntary unemployment insurance has been operating in Belgium for the past forty years, originating in the cities of Liège in 1897 and Ghent in 1901 by action of the local trade unions. Later on, the systems were subsidized first by the provincial governments and then by the national government. With the extension of national aid, the systems in Belgium have become fairly standardized.

During the prewar period, when industrial conditions were favorable and unemployment did not exceed 4 per cent of the population, the low rates of benefits extended under the plans were well within the financial limits of the program. But, with the outbreak of the war, unemployment assumed staggering proportions, and many of the smaller societies were faced with bankruptcy unless saved through government subsidy. During the period of 1920 to 1930, this government aid tended toward greater uniformity, and by 1929 federal expenditures in Belgium accounted for more than 40 per cent of total expenditures for unemployment compensation. By the beginning of 1931, unemployment had encompassed a fourth of the insured population, and an emergency law

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was passed which required all communes of the country to join a communal fund and to repay the national government for 10 per cent of the federal grants to residents benefiting under the program. But this action was not sufficient to meet the widespread unemployment brought on as the depression continued, and in 1933 the federal government passed two decrees amending and extending the system of unemployment compensation still further and providing for more centralized control of the program.

The present Belgian plan is administered by the Ministry of Labor and Social Welfare, which supervises and directs the work of the labor exchanges and of the new placement and unemployment offices. Even though the system is still voluntary, it has extended coverage and voluntary protection to a third of the entire working population, including all wage earners except those engaged in agricultural work, domestic service, and miscellaneous independent occupations. A decree in 1935 established (with certain exceptions ⁴) minimum and maximum contributions of 2.50 fr. and 3.00 fr. per week, respectively, for each employee covered, an amount calculated to bear the entire cost of benefits without employer or government contributions. Individual societies are allowed to establish their own rates of compensation for unemployment periods. These benefit periods extend for a maximum of sixty days each year. The normal amounts of benefits vary according to age and responsibility in the family. Maximum regular amounts range from 3 francs daily for unemployed workers fourteen and fifteen years of age to 9 francs daily for those twenty-five years of age or over. A feature of the scheme is that supplementary benefits are granted by the "national emergency fund" to persons in receipt of the above payments in accordance with age, family, and size of community of residence. For instance, an unemployed man over eighteen years of age living in Brussels or Antwerp receives an additional 4.50 francs daily from the emergency fund, and

4. For details of the Belgian plan, see Social Security Board, *Social Security in America*, 1937, pp. 33-43. For a description of the temporary changes made in respect to social insurance programs by European countries during war time, see the *International Labour Review*, especially vol. xl, December, 1939, p. 779; vol. xli, February, 1940, p. 152; and vol. xli, March, 1940, p. 276.

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an unemployed person seventeen years of age living in a semi-industrial or commercial commune receives 1 franc daily as a supplemental benefit.

This national emergency fund also grants family allowances to needy unemployed persons, even though they may be in receipt of statutory benefits, upon a basis of the number of minor children and the position of the wife in the family. A three-day waiting period is required at the beginning of each six-month benefit period to establish eligibility, and, in addition, a regular waiting period of two days a month is required for the receipt of benefits. Insured persons, to qualify, must be under sixty-five years of age, capable of work, and must have been employed for at least six months during the preceding calendar year. The name of any worker failing to pay unemployment contributions for thirteen weeks is stricken from the membership rolls unless his nonpayment has been due to unemployment. Benefits are usually paid weekly by the society which collects them.

2. *The Swiss Program.* The present unemployment compensation scheme of Switzerland is an outgrowth of voluntary plans started in Basel Town in 1789 and in the Canton of St. Gall in 1894. Like the United States, Switzerland is a democratic country in which twenty-five cantons are bound together through a federal constitution which limits the authority of the central government. The first federal law encouraging voluntary unemployment compensation was passed in 1924, but this law has been changed considerably under the Federal Orders of 1925, 1929, and, finally, 1934. Administration is left largely in the hands of local public authorities. The federal law enacted during the depression authorized a Federal Council to subsidize unemployment funds in certain industries for a certain period of time, but, under the impetus of the federal act, each of the twenty-five Swiss cantons has passed its own legislation. In thirteen of these, the legislation is compulsory for specified classes of workers; in eight others, the communes have the right to order compulsory compensation; in four, the plans are voluntary only. Thus, the Swiss program is not purely voluntary: it is a mixture of these two general types of unemployment compensation.

At the end of 1934, almost two-thirds of all industrial workers falling within the most important occupational classifications were covered by

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some type of fund, most of them being eligible through membership in trade unions. Members usually contribute into their respective funds upon a basis of their wages, the average being extremely small and representing only from one-tenth to three-tenths of 1 per cent of individual earnings. In 1929, the average contribution per worker was only 10.59 francs for the entire year. By 1933, it was two and one-half times this amount.⁵ But the total of these workers' contributions is usually equal to not more than one-fourth of the benefits paid out, subsidies of various public authorities at present accounting for more than 80 per cent of such payments. Actual benefits depend upon the contributions previously paid into the fund, but a limit is set by the federal law and may not exceed 60 and 50 per cent, respectively, of normal earnings for persons with and without legal dependents. In 1933, the average daily benefit amounted to 5.34 francs. Payments usually extend over a period of not more than 90 days within any 360-day period, and a waiting period of 3 days after unemployment registration is required before payments begin. Normally, workers are required to be in regular employment for a total of 150 days before being eligible for payments.

3. *Great Britain.* Great Britain was the first country in the world to establish a nationwide compulsory social insurance system. This was done in the form of its National Insurance Act, a law which has passed through many periods of trial and adjustment since its enactment in 1911. The present unemployment provisions apply to all wage earners between sixteen and sixty-four years of age in England, Northern Ireland, Scotland, and Wales, if they are employed under contract. Also covered are nonmanual workers whose incomes are less than £250 per year. In April, 1936, the law was extended to include some 750,000 agricultural workers previously excluded. It is estimated that over 15,000,000 workers out of a possible 21,000,000 are covered by the British unemployment insurance law.

Unlike the voluntary plans of Belgium and Switzerland, contributions in Great Britain are equally divided between the worker, the employer, and the government. Weekly payments are flat rates based upon sex and age differentials according to the following schedule:

5. Social Security Board, *op. cit.*, p. 53.

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Age	Males <i>d</i> ^a	Females <i>d</i> .
Under 16	2	2
16 to 17	5	4½
18 to 20	9	8
Above 20	10	9

^a There are 12 pence (*d*) in each shilling and 20 shillings (*s*) in each British pound (£).
At par 1 £ = \$4.86½.

Employees over sixty-five are exempt from payment into the fund, the state making an additional contribution in their stead. The employer is responsible for collecting the worker's contribution, and does so by means of affixing special stamps purchased at the post office upon the worker's unemployment insurance card.

Under the act as amended in 1935, benefits, like contributions, are flat rates based upon sex and age differences rather than earnings. Weekly rates for ordinary compensation are:

Age	Males <i>s</i>	Females <i>s d</i>
Under 17	6	5
17 to 18	9	7 6
18 to 20	14	12
20 to 64 (inclusive)	17	15

Under the above schedule, payments to agricultural workers are less than those extended to industrial workers. For male agricultural workers between the ages of twenty-one and sixty-five the weekly payments are 14*s*; for a woman, they are 12*s* 6*d*. Allowances for dependents of agricultural workers are 7*s* a week for an adult and 3*s* a week for each child. For industrial workers these allowances are 9*s* for each dependent adult, and 2*s* for each dependent child. The maximum duration of benefits for all classes of eligible workers is twenty-six weeks during any one year, or when the benefit fund is exhausted, but extra allowances are made for those with good employment records.

The British plan stipulates that, to be eligible for participation, the worker must be between the ages of sixteen and sixty-five, capable of and available for work, registered with and visit at least three times weekly a public employment exchange, and have made at least thirty

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weekly contributions into the fund during the preceding two years. A waiting period of six days is required, and receipt of wages of any kind cancels the right of benefit during that time. Disqualification may also be caused by failure to accept suitable employment, by leaving employment without a just cause, by misconduct, or by trade disputes, in which cases the maximum disqualification period is six weeks. The administration of the plan is carried on through the Ministry of Labour, under which 7 divisional insurance offices supervise some 420 local and 747 branch units.

4. *Germany.* The present compulsory program in Germany dates from 1927, and represents a combination system of unemployment compensation and relief. It covers all manual workers between the school-leaving age and sixty-five and all salaried persons earning 8400 marks or less annually, except those engaged in agriculture and domestic service. Before the recent acquisitions of territory approximately 40 per cent of Germany's estimated working population of 32 million persons came within the provisions of the national law. No state contributions have been provided for, the employer and employee each contributing an average of $3\frac{1}{4}$ per cent of the first 300 marks of wages per month to finance the program. From time to time the system has availed itself of the power to borrow from the government to meet emergency expenditures, but present contributions are designed to carry the full load of benefit payments. All funds are pooled except in the single case of the Carl Zeiss Optical Works, where an old individual company program has been allowed to continue uninterrupted by the national law.

Employer-employee contributions are made by the employer to an office of social insurance. Benefits are lowered from time to time, or rates are raised if a shortage in the unemployment reserves fund develops. The amount of benefits varies by wage class, number of dependents, and changes in the cost of living. An unemployed worker with no dependent family members receives from 4.50 to 11.50 reichmarks per week, depending upon the size of the community in which he lives and the level of living costs at the time of eligibility. A man with from one to six dependents receives from 5.70 to 27.90 reichmarks weekly, and one unemployed for more than three days a week receives from .90 to 21.00

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reichmarks. Regular benefits are paid for a period of twenty weeks, but following the sixth week they are contingent upon a needs test. After that, emergency benefits are payable up to a maximum period of thirty-eight weeks or, in exceptional cases, on behalf of persons over forty years of age for a total of fifty-one weeks.

The waiting period in Germany varies from three to seven days, according to the size of family. Registration at an insurance office is required, and contributions for at least fifty-two weeks during two years prior to the receipt of benefits are necessary before eligibility can be established. The scheme is administered centrally through a federal Institution for Employment Exchange and Employment Insurance (*Reichsanstalt für Arbeitsvermittlung und Arbeitslosenversicherung*), and disputed claims are adjusted by a representative arbitration committee.

UNEMPLOYMENT COMPENSATION UNDER THE SOCIAL SECURITY ACT. Not until the great depression years did the optimism of a new nation, the relatively unlimited employment opportunities, and the long predominance of the agricultural industry yield to a nationwide unemployment program in the United States. By 1935, employment and business had reached such a chaotic state that a major national emergency existed and drastic relief programs were imperative. The federal Congress found partial answer in the Social Security Act and the various state unemployment compensation plans which were encouraged under the federal program.

No basic change has been made in the framework of the principle of federal-state co-operation as written into the original Social Security Act by the amendments of 1939. The purpose of this part of the federal program was only to encourage each state to pass its own act. This aim was fully accomplished by the end of 1938, when the forty-eighth state enacted its unemployment compensation program. But there is still some aid extended in this direction by the federal law. Under Title III, a sum of \$39,000,000 was appropriated for the fiscal year ending June 30, 1939, and \$80,000,000 for each fiscal year thereafter to be used for the purpose of covering administrative costs of unemployment compensation within the individual states. Standards of administration are established, and any state failing to afford reasonable co-operation with every agency of

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the United States in this administrative work shall be denied certification entitling it to receive a share of these federal funds.

Title IX imposes a federal tax on employers of eight or more workers and establishes an "unemployment trust fund" in Washington where monies collected by the various state unemployment compensation agencies and the railroad retirement board shall be kept. An amendment made in 1939 transferred to Subchapter C of the act the federal unemployment tax provisions, the most important of which is that every employer (of eight or more workers) must pay for the calendar year 1939 and each year thereafter an excise tax equal to 3 per cent of the total wages paid, provided that a credit of not more than 90 per cent of this tax be allowed for contributions that the employer makes in compliance with the unemployment compensation law of the state under whose jurisdiction he comes. Additional credits are allowable if the Social Security Board approves the standards of the state in question. Under this title of the act (IX) an employer is one who on each of some twenty days during the taxable year, each day being in a different calendar week, is employing at least eight workers. This tax shall not be paid on wages in excess of \$3000 annually, nor upon any wages earned by railroad workers, agricultural laborers, those in domestic service in a private home, local college club, or local chapter of a college fraternity or sorority, casual labor, service on board ship, service for the United States Government or the state, religious or charitable service, family employment, service by newsboys under eighteen years of age, and service in occupations covered by the Railroad Retirement Act.⁶ Persons working upon a commission basis do not come under the definition of workers as set forth in the law.

STATE UNEMPLOYMENT COMPENSATION LAWS. As was suggested above, the imposition of this pay-roll tax by the federal government upon all employers of eight or more without offering any definite benefits has encouraged every state of the nation to establish its own unemployment reserves program. Since the details of these laws vary greatly from state to state, only a few of the more important characteristics need be ob-

6. Compilation of the Social Security laws, made by the Federal Security Agency after the amendments of 1939, p. 65.

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served here. Most state laws have followed the leadership of the federal government in bringing within the legislation all employers of eight or more. As administrative problems are ironed out, the states are extending their laws to employers of four or more, and in a few cases to all employers. The "pooled" reserve principle has been adopted most widely. Under this plan all monies are "pooled" together in the Unemployment Trust Fund, out of which benefit payments are made to eligible workers regardless of the exact contributions of the employer or his employees. Most of the states had imposed, by 1940, a 3 per cent tax, equal to that imposed by the federal government in the absence of a state program. In addition, employees are usually taxed 1 per cent of their earnings up to \$3000, although in several states the employee's contribution has been set at 50 per cent of the employer's tax, and in a few states no employee contribution is required. Funds available for unemployment benefits at the beginning of 1940 exceeded one and one-half billion dollars.

A number of the states have adopted the "merit-rating" principle, under which reductions in tax rates are granted to employers with creditable records of steady employment. Usually the benefits extended are 50 per cent of average earnings with maximum weekly amounts set at \$15.00 and minimum benefits at about half the maximum amount. All state laws require a waiting period before benefits start, the most usual time being three weeks. Most states provide that one week's benefit may be paid for each four weeks of employment during a two-year period of contribution and for which no benefits have been collected. Generally, state laws have incorporated the exemption list established by Title IX of the Social Security Act, although there are numerous exceptions to this rule. Voluntary withdrawal from work, discharge because of misconduct or labor disputes, or refusal to accept a suitable offer of employment are the usual grounds for complete disqualification. Complaints arising from the administration of the state laws may be presented before hearing boards approved by the Social Security Board.

RAILROAD UNEMPLOYMENT INSURANCE ACT OF 1938. Approval of this act on June 25, 1938, brought to a successful conclusion a movement for greater protection of railway workers which began during the depth of the Great Depression. In 1934, the Federal Co-ordinator of Transpor-

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tation urged the establishment of a federal program for transportation workers. The next year, the Committee on Economic Security renewed this recommendation. It was followed a short time later by a detailed report by the Federal Co-ordinator of Transportation. This report, refined through numerous conferences with the Railway Labor Executives' Association and other interested bodies, was finally incorporated into law.

Under the Railroad Unemployment Insurance Act, a national pooled-fund unemployment compensation system for all railway workers has been created. This act dovetails with Title IX and includes all railway company employees who are specifically excluded under the amended Social Security Act of 1939. It further sets up a single federal agency, the Railroad Retirement Board, to administer both this law and its companion, the Railroad Retirement Act of 1937. Employer contributions, levied upon the same basis as those provided in the Carriers' Taxing Act, establish funds for the benefits offered. Coming within the scope of the act are chiefly the interstate roads, sleeping car and express companies, traffic associations, and the railway brotherhoods and other organizations.

Benefits became payable on unemployment experienced after June 30, 1939, and eligible workers receive payments under the following schedule:⁷

Total earnings in base year	Daily benefit amount	Maximum amount of bene- fits payable within any benefit year
\$150.00 to \$ 199.99	\$1.75	\$140.00
200.00 to 474.99	2.00	160.00
475.00 to 749.99	2.25	180.00
750.00 to 1,024.99	2.50	200.00
1,025.00 to 1,299.99	2.75	220.00
1,300.00 and over	3.00	240.00

if the worker has earned \$150 or more within the preceding calendar year, and if he has undergone a waiting period of fifteen consecutive

7. W. J. Confer, "The Railroad Unemployment Insurance Act," *Social Security Bulletin*, vol. 1, August, 1938, p. 13.

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days of unemployment or two half months in each of which there were at least eight days of uncompensated unemployment. As noted above, the plan is administered by the Railroad Retirement Board, and the act further specifies that the personnel shall be selected under civil service rules. The principal points of distinction between this program and the typical state system is (a) that the act uses days of employment instead of weeks of partial or total employment, (b) the merit-rating principle was abandoned, and (c) a simple eligibility requirement of \$150 on earnings and the basing of benefit rates have been incorporated. Some of the states are incorporating characteristics similar to those adopted in this plan through the amendment of their respective laws.

EVALUATION OF AMERICAN UNEMPLOYMENT COMPENSATION. It is still too early to judge the merits of this program of unemployment compensation in the United States. That similar programs have proved their worth through hectic years of deflation is shown by the fact that very few plans have been suspended for a long period and none has been fully abandoned. On the other hand, the nations abroad in which such plans have been tested longest have evidently found value in them. Otherwise, it would be difficult to explain their continued existence and expansion.

The real test of the program so recently launched in the United States is bound to come when we encounter the next serious period of depression. Tremendous reserves on unemployment compensation accounts have already been accumulated in practically every one of the forty-eight states. But how large must these accounts be in order to carry through a period of liquidation and depression? What will be the influence upon the business world of a large-scale liquidation of credits made necessary by a sharp decrease in employment?

Those who defend this program do not discount the possible serious consequences which may be experienced under conditions such as these. They do not see in unemployment compensation a panacea for all the ills of unemployment, nor necessarily for even a sizeable part of them. They do, however, see that in the payment of hundreds of millions of dollars there are at least two potent forces, either one of which may easily prove itself capable of justifying the program. One is that the unem-

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employment benefit represents the liquidation of a credit that the individual himself, together with his employer, has been required to save for a future emergency. At worst, it is far better than an outright dole, for it permits the retention of morale and self-respect on the part of the recipient even though, through no choice of his own, he is forced to accept it in lieu of regular gainful employment.

The second force offers a possibility still to be tested. If there is any virtue in the program outlined above, aside from the preservation of self-respect, it is surely to be found in the influence that the widespread payment of benefits will have upon the business cycle. If business slackens, as it does at the beginning of a downward business curve, hundreds of thousands of eligible workers start to receive benefits. Thus, instead of withdrawing themselves completely from the nation's markets, thereby adding to unemployment and poorer business, the idle workers use these payments to continue the purchase of clothing and other supplies. This action might well prove to be a powerful force in checking the fall in business volume and employment. Only experience, however, will prove whether it can counterbalance the dangers of sudden liquidation of credits.

A program of unemployment compensation could also be developed upon a pay-as-you-go basis.⁸ Personally, we favor a further modification of an unemployment compensation program along these lines, in the firm conviction that the gains then would far outweigh the defects of the plan.

OLD-AGE PENSIONS ABROAD. We have seen from Chapter 16 that old age represents one of the major problems of American workers. It is a universal problem, but the methods employed in meeting it by different peoples throughout the world vary as widely as the cultures and customs of the people themselves. In most of the civilized countries, a voluntary approach has long since been abandoned, and the government has intervened along one or both of two broad avenues of approach. For many generations, the aged were classified with the paupers, vagrants, beggars, orphans, and widows, and, when taken care of at all, were extended some measure of relief through the traditional poor

8. For an explanation of the pay-as-you-go policy, see pp. 927-9.

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laws of the community. Thus, the 1794 Civil Code of Prussia stated, "It is the obligation of the State to take measures for the maintenance and care of those citizens who are not able to procure their own subsistence and who cannot obtain it from such other private persons as special laws oblige to provide it."⁹ The poor laws of England extended relief to destitute persons and workers whose wages were inadequate.

These early attempts, however, were often both harsh and totally inadequate, and in desperation many of the workers turned to their own mutual benefit societies for greater relief, or employers voluntarily inaugurated paternalistic benefit programs. But all of these efforts, voluntary as they were, proved to be deficient in many respects, and as time went on the different phases of the relief problem became so apparent and urgent that the government itself began to assume responsibility. It broke down poor people into various groups and assured by law the extension of the particular type of aid which seemed best to meet the needs of those to be benefited.

Some governments have passed *noncontributory pension* laws, under which benefits are paid to needy aged citizens out of general tax funds to which the benefactor does not contribute except, of course, as a regular tax payer. Fourteen such national acts have been passed since Denmark enacted its law in 1891:

Denmark	1891	Newfoundland	1911
New Zealand	1898	Uruguay	1919
France	1905	Greenland	1926
United Kingdom ^a	1908	Canada	1927
Eire	1908	South Africa	1928
Australia	1908	United States	1935
Iceland	1909	Norway	1936

^a Covered England, Scotland, Wales, and Northern Ireland. Irish Free State is now Eire. Grant, *op. cit.*, p. 12.

The United States enacted a nationwide noncontributory old-age pension program with the passing of the Social Security Act in 1935. Prior to this date, the problem had not been accepted as a national one, the responsibility being left completely in the hands of the individual states.

9. Margaret Grant, *Old-Age Security*, 1939, p. 6.

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By 1935, twenty-eight states out of the forty-eight had responded in enacting old-age pension laws. Under the present American law, as we shall see in greater detail below, the costs of state programs within certain limits are shared jointly by state and federal contributions.

The second avenue of approach has been through *contributory pension* systems, which extend benefits to the aged worker upon a basis of the contributions made by the worker himself, by the employer, and, sometimes, by the government. There are two major distinctions between these two types of systems. As the names imply, the former system is noncontributory for the beneficiary; but in the latter the beneficiary contributes toward the financing of the benefits. Again, in the case of the former, the amount of benefit received is almost always made dependent upon the beneficiary's need, to be determined by a "means test"; while in the latter case the benefits follow a fixed schedule of payments regardless of the need of the individual.

Needless to say, most national old-age pension programs in the world today illustrate some degree of combination of these two basic types. For instance, in five of the countries listed above (France, Iceland, United Kingdom, United States, and Uruguay) the noncontributory systems are only supplementary to national contributory insurance plans, and in the remaining nine countries the systems represent the only government pensions available to the aged. Again, in some cases, the pension program extends aid not only to the aged, but to the blind and invalid, as well as to widows and orphans. The Danish, Canadian, and South African laws are limited to aged people, as were all state laws enacted in this country prior to the Social Security Act. The Australian Act of 1908, however, included the blind and disabled along with the aged, while the French and Uruguayan laws included both aged and invalids. The British law, as extended in 1920, was made to include all blind over 50 years of age.

In reviewing and evaluating the recent old-age pension developments in the United States, a fuller examination of the present programs of two European nations, Great Britain and Germany, where these systems have been under test for many years, will be helpful.

1. *Old-Age Insurance in Great Britain.* In Great Britain, two laws,

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one the noncontributory Old-Age Pensions Act of 1908-1924 and the other the Widows', Orphans' and Old-Age Contributory Pensions Act of 1925-1932, operate jointly to afford a broad pension program. When combined with the National Unemployment Insurance and National Health Insurance Acts, these laws give to the people of the Kingdom one of the most extensive social insurance systems of the world. Benefiting under these two pension programs during 1937 were some 800,000 widows, 314,000 orphans, and 800,000 persons between sixty-five and seventy years of age, and an additional 1,130,000 persons over seventy years of age. These 3,044,000 beneficiaries received cash benefits during the year amounting to £73,100,000.¹⁰

The existing noncontributory Old-Age Pensions Act grants to all citizens over seventy years of age whose annual incomes are less than £49 17s 6d (exclusive of sick benefits not exceeding three months and unearned annual incomes of not more than £39) a gratuitous old-age pension of not more than 10s weekly. The size of the pension is dependent upon income: to those whose incomes are less than £26 5s per year, the full 10s pension is extended; those whose annual incomes are £47 5s receive a pension of 1s weekly. Because the amounts provided by law are so small, in practice almost all pensioners receive the maximum rate. Eligibility requirements are the usual citizenship prerequisites.

In Great Britain the protest against the high age limit established under the first law (seventy years) finally led in 1925 to a considerable extension of benefit payments to persons sixty-five and over and to widows and orphans upon a contributory basis. The scope of this act is practically the same as is the Health Insurance Law, and in 1937 an estimated 20,500,000 persons in Great Britain and Northern Ireland were covered by its provisions.¹¹ Administration of this program is unified with that of the noncontributory system through the efforts of the Ministry of Health, which supervises the social insurance programs of some 790 approved friendly societies through the membership of which the worker is able to establish eligibility. Application for an old-age pen-

10. Grant, *op. cit.*, p. 97.

11. Social Security Board, *Social Security Bulletin*, vol. 2, April, 1939, p. 14.

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sion is made through the Ministry of Health, and this agency in turn falls back upon the records of the approved society to determine the amount of benefits to which the worker is entitled.

Contributions under the contributory scheme are upon a flat rate basis and are made in stamp purchases, the amounts depending upon the sex of the worker. For males, both employer and employee contribute $4\frac{1}{2}d$ weekly, a total of $9d$; a woman employee contributes $2d$ weekly, and in her behalf the employer is required to contribute $2\frac{1}{2}d$. Benefits under the program amount to a weekly pension of $10s$ to both men and women between the ages of sixty-five and seventy, and to wives between these same age limits when their husbands are entitled to a contributory pension, even though they are not employed. To be eligible for a pension at sixty-five, the beneficiary must have had five years of continuous insurance prior to reaching that age; 104 contributions must have been made since his last re-entry into the program; and an average of at least 39 contributions must have been made in each of three years prior to the sixty-fifth birthday. As a matter of practice, persons with ten years' continuous insurance before attaining the age of fifty-eight and one-half years are continued in insurance, even though they may be unemployed continuously until reaching the age of sixty-five.¹²

A widow of an insured worker who dies after qualifying for an old-age pension receives a $10s$ weekly benefit until she remarries, or until she attains the age of seventy, at which time she becomes eligible for the receipt of a noncontributory pension without a "means test." For each of her dependent children an additional allowance of $5s$ a week is made for the oldest child, plus $3s$ for each of the other children. In the case of motherless homes, orphans' pensions at the rate of $7s\ 6d$ a week are paid from the date of the father's death. These benefits are payable until age fourteen, or until sixteen if they are in full attendance at school during the day. All payments are made in the form of orders contained in a pension book issued from year to year through the postal department.

2. *The German System.* The German wage earners insurance system is one of the oldest in the world. During its life of more than half a

12. Social Security Board, "Social Security in America," *op. cit.*, p. 452.

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century, it has passed through many periods of modification and adjustment. In 1936, some 3,416,000 persons were insured in the invalidity, old-age, and widows and orphans divisions of the program.¹³ The average annual benefits at that time amounted to 384 marks for invalidity and old age, 230 marks to widows, and 126 marks to orphans.

The German government has contributed a heavy subsidy from time to time to save the system from financial collapse, although the main contributions have always come from workers and employers. The amounts of contributions are determined by the application of a graduating scale as set forth below:¹⁴

Wage Class	Weekly Wages (in marks)	Weekly Contributions (in marks)	Maximum Annual Benefits (in marks)
1	To 6	0.30	192
2	6-12	0.60	312
3	12-18	0.90	432
4	18-24	1.20	552
5	24-30	1.50	672
6	30-36	1.80	792
7	36-42	2.10	912
8	42-48	2.40	1032
9	Over 48	2.70	^a
10	Voluntary	3.00	^a

^a New law, data unavailable.

By far the most significant phase of this program is the invalidity pension, which includes payments to the aged. It consists of three parts: a fixed federal subsidy, which has changed from period to period and since 1934 has amounted to 72 marks annually; a fixed basic amount which, following 1934, was canceled altogether; and an increment varying with the number and amount of contributions paid on behalf of each individual worker. Numerous minor provisions also are made under the law.

A critical review of the German experience yields several conclusions. The system has continued to experience a steady growth in spite of the serious disturbances brought on by war deflation and inflation. One

13. Grant, *op. cit.*, p. 105.

14. As of January 1, 1938, *op. cit.*, p. 137.

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learns further from this record that actuarial estimates made at the beginning of the program could not be followed. Finally, it should be noted that a social insurance program is not a "separate entity." It is inseparably bound with the economic and social life of the nation. This has been the experience not only of Germany but also of England and all other nations where the principles involved have been in existence long enough to prove their value.

GOVERNMENTAL OLD-AGE INSURANCE IN THE UNITED STATES. Recognition of the inadequacy of voluntary methods of providing for the invalid and aged has given rise to a definite movement for the solution of this problem through governmental action which at last has produced in the United States one of the most widespread pension systems in the world. Adoption of a definite social policy involving the provision of old-age pensions is but the extension of a principle of protection long ago established in the case of persons who have rendered distinguished service in the field of art, literature, and science or who have served in wars. One thing is certain: the problem of the indigent aged must be dealt with, and, if workers cannot or will not save for their years of retirement, then it is the function of modern government either to care for them or to require them to take care of themselves.

1. *State Noncontributory Pension Plans.* State and federal governments in this country have pursued four different approaches to old-age security. One of these has entailed the passing of state noncontributory old-age pension laws, a program which, since the enactment of the Social Security Act, has been greatly encouraged by means of the generous grants-in-aid extended to states by the Social Security Board in matching dollar for dollar, up to definite limits, the expenditures made by the states themselves in carrying on this program.

The extent to which this part of the old-age program was actually bringing aid to American citizens is set forth in detail in Table 51. The average paid to 585,877 persons during the fiscal year ending June 30, 1938, was \$19.48, and the median allowance was \$18. Colorado offered the highest median allowance of any state (\$38), and Mississippi the smallest (\$5). Usually the amount extended is determined on the budget deficit principle. The needs of the individual are computed from a

TABLE 51
DISTRIBUTION OF INITIAL GRANTS TO OLD-AGE ASSISTANCE
RECIPIENTS, JULY 1937-JUNE 1938, BY AMOUNT AND
STATE, AND MEDIAN GRANTS

State	Num- ber of recip- ients	Percent of recipients with initial grants, per month, of—										Median grant
		Un- der- \$5.00	\$5.00 to \$9.99	\$10.00 to \$14.99	\$15.00 to \$19.99	\$20.00 to \$24.99	\$25.00 to \$29.99	\$30.00 to \$39.99	\$31.00 to \$34.99	\$35.00 and over		
United States ^a	585,877	0.8	10.7	23.3	21.8	18.4	10.7	7.1	1.3	5.9	\$18	
Alabama	6,470	2.3	28.5	33.3	16.5	10.0	4.3	5.1	b	.....	12
Arizona	6,540	0.2	0.8	2.3	11.4	25.5	28.3	31.5	.....	.....	26
Arkansas	6,966	0.7	65.0	34.3	.....	.....	.....	.....	.....	.....	8
California	47,954	0.4	2.8	3.2	5.9	9.5	11.8	5.2	5.0	56.2	35	
Colorado	11,833	b	0.4	1.1	2.8	5.7	7.7	8.4	6.6	67.3	38	
Connecticut	2,797	....	2.4	2.2	13.3	17.4	24.9	39.8	.....	.....	26
Delaware	147	....	33.4	42.9	19.7	2.0	2.0	.....	.....	.....	10
Florida	21,082	....	11.4	40.8	30.4	12.3	4.0	1.1	.....	.....	14
Georgia	36,700	4.8	58.7	24.8	7.2	2.6	0.9	1.0	.....	.....	8
Idaho	1,546	0.2	1.8	13.2	30.1	26.8	12.7	15.2	.....	.....	20
Illinois	25,133	....	4.4	20.9	28.9	21.7	17.4	6.7	.....	.....	19
Indiana	9,166	0.6	8.8	36.3	31.3	16.1	5.0	1.9	.....	.....	15
Iowa	14,316	2.1	7.0	13.5	24.6	47.3	5.5	.....	.....	.....	20
Kansas	21,516	0.5	12.8	27.5	25.0	16.4	10.1	4.1	1.9	1.7	16	
Kentucky	5,757	....	47.3	48.3	4.4	.....	.....	.....	.....	.....	10
Louisiana	8,479	5.8	46.4	34.0	8.4	3.7	0.9	0.6	0.1	0.1	9	
Maine	10,356	0.1	2.4	13.9	30.6	23.2	15.3	14.5	.....	.....	20
Maryland	4,952	0.6	10.2	28.9	20.9	27.1	5.7	6.6	.....	.....	16
Massachusetts	19,550	....	0.5	2.7	6.7	19.5	19.0	41.5	6.4	3.7	30
Michigan	41,323	0.5	3.4	23.8	32.3	24.0	10.4	5.6	.....	.....	18

^a Distribution of total was adjusted for disproportionate representation of states.

^b Less than 0.1 per cent.

Minnesota	8,855	0.2	4.3	12.9	34.3	28.1	15.5	4.7	.....	.....	\$19
Mississippi	1,992	33.9	60.1	5.5	0.5	.....	.....	.....	.....	.....	5
Missouri	29,012	0.1	8.5	37.2	33.5	14.4	4.9	1.4	.....	.....	15
Montana	3,216	.....	2.3	20.5	34.8	25.4	10.8	6.2	.....	.....	18
Nebraska	3,510	.....	10.5	40.6	31.3	12.8	3.9	0.9	.....	.....	14
Nevada	2,145	b	0.2	2.4	4.3	12.2	13.9	67.0	.....	.....	30
New Hampshire	987	.....	1.8	11.3	21.1	24.3	16.5	25.0	.....	.....	22
New Jersey	6,928	b	2.4	22.1	33.5	31.4	8.9	1.7	.....	.....	18
New Mexico	1,002	0.3	32.6	31.8	16.7	9.1	5.1	2.6	0.9	0.9	12
New York	23,423	0.1	1.4	17.6	22.2	23.1	17.8	3.3	7.4	7.1	21
North Carolina	33,060	2.0	59.6	28.1	7.4	2.1	0.4	.....	.....	.....	8
North Dakota	1,486	0.1	6.4	28.3	32.8	20.5	8.0	3.9	.....	.....	16
Ohio	19,020	0.1	1.4	7.2	32.3	33.7	19.8	5.5	.....	.....	20
Oklahoma	7,432	0.9	10.2	43.9	18.7	15.9	6.4	4.0	.....	.....	14
Oregon	7,169	b	2.3	18.7	25.4	24.6	14.7	14.3	.....	.....	20
Pennsylvania	20,266	0.9	1.6	23.1	18.5	26.0	18.5	11.4	.....	.....	20
Rhode Island	2,588	.....	4.7	28.0	23.3	23.8	13.9	6.3	.....	.....	18
South Carolina	24,415	0.3	43.7	37.4	12.4	6.2	.....	.....	.....	.....	10
South Dakota	8,988	0.2	3.0	22.1	43.9	21.7	6.6	2.5	.....	.....	17
Tennessee	24,647	b	15.4	51.8	22.5	6.8	3.5	.....	.....	.....	12
Texas	16,934	.....	15.7	49.9	25.3	7.6	1.4	0.1	.....	.....	13
Utah	7,585	0.1	2.0	5.1	18.8	23.2	16.0	34.4	0.4	.....	25
Vermont	2,952	.....	16.2	42.1	25.9	11.0	2.8	2.0	.....	.....	10
Virginia	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Washington	9,858	.....	0.1	9.9	14.0	28.8	17.7	29.5	.....	.....	23
West Virginia	4,498	0.2	12.5	48.5	27.5	7.3	2.3	1.7	.....	.....	12
Wisconsin	9,209	0.2	3.9	20.4	29.5	20.1	13.5	12.4	.....	.....	18
Wyoming	531	.....	1.9	10.9	26.4	31.2	19.4	10.2	.....	.....	20
Dist. of Columbia	987	0.7	13.2	13.5	20.3	27.6	11.2	10.0	3.5	25
Alaska	554	2.0	30.5	12.3	4.9	28.7	21.6	30
Hawaii	945	0.3	16.3	57.2	17.9	2.9	1.7	3.7	11

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standard budget covering food, rent, clothing, and so forth, and the budget is then adjusted to take account of any resources the applicant may have. The remainder then represents the budget deficit.

However sound this principle may be in theory, the fact remains that in most cases the pension allowed does not represent a life-sustaining amount. States are bound to differ in the amount of this sum, depending upon such factors as the cost of living, availability of tax resources, the extent of urbanization in which residence is maintained, wage levels and living standards, and the public attitude toward old-age dependency. That the noncontributory pensions are still too low even within the states where payments are relatively generous is well demonstrated by the continued reappearance of schemes such as the "30-Thursdays" pension program of California, which received its second defeat at the state initiative election in November, 1939, when 993,204 persons voted for this plan.¹⁵ It proposed to give \$30 worth of warrants each week to all eligible citizens over fifty years of age. Several hundred thousand others voted at the same time in Ohio for the "50-60" program, which proposed to give a noncontributory pension of \$50 per month (\$80 for man and wife) to every citizen of the state who reached a retirement age of sixty years. These recurrent program proposals are symptomatic of a basic unmet need, and they will not disappear until adequate pension payments are provided.

2. *Old-Age Pension Program under the Social Security Act.* One of the major objectives of the Social Security Act was to decrease old-age dependency through the establishment of a nationwide contributory old-age system including within its scope most of the workers throughout the United States. In 1935, the President's Committee on Economic Security, recognizing the urgent need for covering the widest possible range of the working population against the risks of old age, invalidity, and death, urged the adoption of the compulsory insurance principle. A commendable start was made under the provision of Titles II and VIII of the original act of 1935, and many deficiencies which became apparent during the first four years of the act were corrected by the amendments of 1939. Title II of the act establishes a nationwide old-

15. The total "no" vote was 1,933,557.

TABLE 52
OLD-AGE INSURANCE PROVISIONS ENACTED IN 1935 AND IN
THE 1939 AMENDMENTS TO THE SOCIAL SECURITY ACT

Provision	1935 Act	1939 Amendments
Monthly benefits first payable	January 1942	January 1940.
Age limits for persons qualifying for monthly benefits.	Must have attained age 65 at some time after Jan. 1, 1941.	Age 65 or over for all old-age benefits (primary annuitant, wife, widow, or dependent parents). Under 16, or 18 if still in school, for dependent children. No age limits for widows with dependent children.
Contribution rates of workers and of employers (percentage of pay rolls).	1 per cent, 1937-1939 1½ per cent, 1940-1942 2 per cent, 1943-1945 2½ per cent, 1946-1948 3 per cent, 1949 and thereafter	1 per cent, 1939-1942; 2 per cent, 1943-1945; 2½ per cent, 1946-1948; 3 per cent, 1949 and thereafter.
Excepted employment	Employment after age 65; employment in agriculture, private domestic service, government, certain nonprofit organizations; maritime employment, etc.	Nearly the same except that employment after age 65, employment in national banks, and some maritime employment are covered.
Total monthly benefits payable with respect to 1 person's wages: Minimum	\$10	\$10 for primary annuitant; \$15 for primary annuitant and 1 dependent (aged wife or dependent child); \$20 for annuitant and 2 or more dependents. \$10 for widow aged 65 or over without dependent child. \$12.50 for widow and 1 dependent child; \$17.50 for widow and 2 dependent children; \$20 for widow and 3 or more dependent children.

Maximum	\$85	If no widow survives, \$10 for 1 or 2 dependent children; \$15 for 3, \$20 for 4 or more. \$10 for 1 or both wholly dependent aged parents. \$85, or twice primary benefit, or 80 per cent of legally defined average monthly wage, whichever is least. (These maximums may not reduce total of benefits below \$20.)
Formula for computing primary monthly benefit.	$\frac{1}{2}$ of 1 per cent of first \$3,000 total wages, ^a plus $\frac{1}{42}$ of 1 per cent of next \$42,000, plus $\frac{1}{24}$ of 1 per cent of next \$84,000.	a. 40 per cent of first \$50 of legally defined average monthly wage plus 10 per cent of average monthly wage in excess of \$50 but not over \$250, plus b. 1 per cent of amount computed under (a) for each year in which wages ^b of \$200 were received.
Supplementary benefits:	None	50 per cent of primary benefit.
Wife aged 65	None	50 per cent of primary benefit.
Dependent child	None	
Survivors and lump-sum death payments:	Amount equal to $3\frac{1}{2}$ per cent of total wages less monthly benefits received.	Amount equal to 6 times the primary benefit, provided that the deceased worker was fully or currently insured and left no widow, child, or parent who would, on filing application in the month of his death, be entitled to a monthly survivor's benefit for such month.
1. Lump-sum death payments		
2. Monthly benefits to survivors of a fully insured individual:	None.	
(a) Widow aged 65 or over .....	.....	75 per cent of primary benefit.
(b) Widow having dependent child .....	.....	75 per cent of primary benefit.
(c) Each dependent child .....	.....	50 per cent of primary benefit.

^a "Wages" is used in this column as referred to in sec. 202 (a) (1) and defined in sec. 210 of the Social Security Act of 1935.

^b "Wages" is used throughout this column as defined in title II, sec. 209 (a) of the Social Security Act as amended in 1939.

<p>(d) Each wholly dependent aged parent (if no widow or unmarried child under 18 survives).</p> <p>3. Monthly benefits to survivors of currently insured individuals:</p> <p>(a) Widow having dependent child (in addition to child's benefits).</p> <p>(b) Each dependent child</p> <p>Payment to workers failing to qualify for monthly benefits.</p>	<p>.</p> <p>None.</p> <p>.</p> <p>.</p> <p>Lump-sum payment amounting to 3½ per cent of total credited wages payable at age 65.</p>	<p>50 per cent of primary benefit.</p> <p>75 per cent of primary benefit.</p> <p>50 per cent of primary benefit.</p> <p>None.</p>
<p>Eligibility requirements:</p> <p>(a) Fully insured</p> <p>(b) Currently insured</p> <p>Monthly benefit not payable</p>	<p>\$2,000 cumulative wages received; 1 day of covered employment in each of 5 years after 1936 and before age 65.</p> <p>None</p> <p>For months when in "regular employment" for which wages have been paid.</p>	<p>Wages of at least \$50 paid in each of 40 quarters or in ½ as many quarters as the number elapsing after 1936 or after attainment of age 21, whichever is later, and before attainment of age 65 or death, whichever is earlier. Minimum, 6 quarters.</p> <p>Wages of at least \$50 paid for each of at least 6 out of the 12 quarters immediately preceding the quarter in which death occurred.</p> <p>For months in which:</p> <p>(a) Services are rendered for wages of \$15 or more;</p> <p>(b) Widow under age 65 has no dependent child in her care;</p> <p>(c) Children between 16 and 18 are not regularly attending school.</p>

Source: Social Security Board, *Social Security Bulletin*, vol. 2, September, 1939, p. 4.

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age pension program, and Title VIII imposes equal pay-roll taxes upon employer and employee to finance the program. The major provisions of the law, both in original and amended forms, have been summarized in Table 52.

Close inspection of the summary presented in this table (52) will show that two significant changes have been introduced into the federal program by amendments to the original act. Benefit provisions of the system have been revised, and a program of survivors insurance has been introduced. Thus, in principle at least, a minimum old-age income is provided for insured workers and their families irrespective of need, and protection has been afforded to certain members of a deceased worker's family.

Under the original scheme a systematic plan for old-age saving was offered, but the amendments are designed to provide for a minimum of subsistence for the worker or the family upon a basis of family responsibility and needs. Table 53 presents a comparison of the pension payments provided under the amended form with those originally set up in the act. The primary monthly benefit (that afforded to a worker without dependents) is payable to a qualified worker upon reaching the age of 65. This sum is calculated by the following formula: a basic amount of 40 per cent of the first \$50 of the average monthly wage, plus 10 per cent of the amount by which that average exceeds \$50 and does not exceed \$250; and 1 per cent of the amount calculated above multiplied by the number of years in which the worker has received \$200 or more in wages from covered employment. The minimum primary benefit is \$10, the maximum is \$85. To the pensions of wage earners is to be added an amount equal to one-half the primary benefit, under stipulated conditions, for aged wives and dependent children of beneficiaries, as is illustrated by Table 53.

In analyzing the effect of the new schedules in relieving the worker's problem, two conclusions are self-evident: the new schedule provides much more liberal annuities to all persons who qualify for benefits in early years; as the system matures, benefits for annuitants without qualified dependents will be smaller, but those extended to workers with dependents will be slightly larger than offered under the 1935 act. Thus,

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TABLE 53

ILLUSTRATIVE MONTHLY OLD-AGE BENEFITS PAYABLE UNDER
1935 PROVISIONS OF THE SOCIAL SECURITY ACT AND
UNDER THE 1939 AMENDMENTS

Years of coverage	1935 Act	1939 amendments		1935 Act	1939 amendments	
		Without dependents	With 1 dependent		Without dependents	With 1 dependent
	Average monthly wage of \$50			Average monthly wage of \$100		
3	^a	\$20.60	\$30.90	^a	\$25.75	\$38.62
5	\$15.00	21.00	31.50	\$17.50	26.25	39.37
10	17.50	22.00	33.00	22.50	27.50	41.25
20	22.50	24.00	36.00	32.50	30.00	45.00
30	27.50	26.00	39.00	42.50	32.50	48.75
40	32.50	28.00	40.00	51.25	35.00	52.50
	Average monthly wage of \$150			Average monthly wage of \$250		
3	^a	\$30.90	\$46.35	^a	\$41.20	\$61.80
5	\$20.00	31.50	47.25	\$25.00	42.00	63.00
10	27.50	33.00	49.50	37.50	44.00	66.00
20	42.50	36.00	54.00	56.25	48.00	72.00
30	53.75	39.00	58.50	68.75	52.00	78.00
40	61.25	42.00	63.00	81.25	56.00	84.00

^a Monthly benefits not payable until after 5 years of coverage.

SOURCE: *Social Security Bulletin*, op. cit., p. 9. Based on a table presented by A. J. Altmeier to the Committee on Ways and Means, March 29, 1939. U. S. House of Representatives, Committee on Ways and Means, *Social Security: Hearings Relative to the Social Security Amendments of 1939*, vol. 3, p. 2165. It is assumed, with respect to the amendments, that an individual earns at least \$200 in each year in order to be eligible to receive the 1 per cent increment. If this were not the case, the benefit would be somewhat lower.

for an employee making an average of \$50 monthly without qualified dependents, the monthly benefits will be higher under the new plan than under the old plan if he were to retire any time prior to 1961 (before twenty-five years of coverage were completed). For a worker with an income of \$100 monthly, the payments under the new plan are more generous during the first sixteen years of coverage. For the wage earner with a dependent, the payments will be considerably more generous after relatively few years of the coverage period have been completed, and somewhat more so even after many years of coverage.

Another interesting change now allows workers reaching sixty-five

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before 1940 to qualify for monthly benefits instead of one small lump sum payment. For instance, suppose a man regularly earning \$75 per month became sixty-five on December 31, 1938. Under the 1935 act, he would have received a cash benefit of \$63.00, with no further payments. Under the 1939 amendments, he receives lifetime monthly benefits of \$23.18 beginning on January 1, 1940, if he retires on that date, plus supplementary monthly benefits of \$11.59 for his wife if or when she is sixty-five, making a total monthly payment for the rest of his life of \$34.77 so long as his wife may live. Again, if a qualified worker reaches the age of sixty-five in January, 1942, after having received \$100 per month in covered wages regularly since 1936, he will now be able to retire on a monthly benefit of \$26.25 for the rest of his life, plus a supplementary benefit of 50 per cent of this amount for his wife if she is sixty-five and continues to live.

The tax rates during 1940 to 1942 have been "frozen" at 1 per cent each from employer and employee; in 1943 and thereafter they increase to 2 per cent each during the period 1943-45, to 2.5 per cent each within the period 1946-48, and in 1949 and thereafter they become 3 per cent. In this way, the tax schedules of the amended law are maintained at the same levels as those set down in the original schedule from 1943 on. These taxes are payable on all wages earned in covered employments after 1936, except those earned during 1937-1939 in excess of \$3000 from any one employer, and after 1939 the total wages in excess of \$3000 a year from *one or more* employers. Excluded employments include the occupations covered by the Railroad Retirement Act, casual labor, agriculture, domestic service (including service in a local college club, fraternity, or sorority), civil service, and other groups exempt also under the federal unemployment compensation list.¹⁶

The 1939 amendments make the status of the laborer's participation in benefits determined on the basis of "quarters of coverage"; that is, the calendar-quarter years in which the worker earned at least \$50 in covered employment. To be "fully insured" the worker must have "quarters of coverage" equal to half the number of quarters after 1936

16. For a full list, see this chapter, p. 901.

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(or his twenty-first birthday if it is later) and before the quarter in which he became 65 or died; but in no case less than six quarters of coverage. When a worker has forty quarters of coverage, he is "fully insured" regardless of his employment thereafter. Such insurance entitles only the worker "fully insured" to the (a) retirement benefits after age sixty-five, (b) supplementary benefits for aged wives or *dependent children*, (c) survivors benefits for aged widows, and (d) survivors benefits for aged dependent parents. To be "currently insured" the worker must have had at least six quarters of coverage in the twelve quarters (three years) preceding the quarter in which he died. Benefits payable with respect either to "fully" or "currently" insured workers include (a) survivors benefits for dependent children, (b) survivors benefits for widows with such children in their care, and (c) lump-sum death benefits when there is no survivor entitled to monthly benefits. The amounts of survivors benefits are set forth in Tables 52 and 53 above.

3. *The Railroad Retirement Act of 1937*. Legislation establishing a compulsory retirement program for over a million railroad employees represents a third governmental approach to the problem of superannuation of workers. For several years the federal Congress struggled with a program toward this end before an acceptable one was devised. In June, 1934, the first Railroad Employees' Retirement Act was passed, but about a year later it was held unconstitutional by the United States Supreme Court.¹⁷ Less than four months after the court's unfavorable decision on August 29, 1935, the Railroad Retirement Act of 1935 was passed, which, together with a separate taxing act, provided a retirement system for workers, the cost of which was to be borne by taxes levied on both employees and operators. But again the validity of this legislation was challenged by the roads, and on June 26, 1936, the United States District Court for the District of Columbia upheld the retirement act, but found the financing act unconstitutional. Finally, the President requested that the railroad employers meet with the unions to see if a plan mutually agreeable to both parties could be worked out, but, be-

17. *Railroad Retirement Board v. Alton Railroad Co.* (295 U.S. 330), May 6, 1935.

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fore such a plan was formulated, Congress had found it necessary to amend the Railroad Retirement Act of 1935, and its companion taxing act. In this final amended form, the new legislation, under the title of the Railroad Retirement Act of 1937, together with its taxing companion, called the Carriers' Taxing Act of 1937, was passed and is now in force.

The Railroad Retirement Act of 1937 covers all employees of railroad, express, and sleeping car companies engaged in interstate commerce. It also applies to employee representatives, employees of traffic associations, and organizations of railroad employees. Every employee who reaches the age of sixty-five is allowed (although not required) to retire, as are employees sixty years of age with at least thirty years of service and disabled workers regardless of the years of service. In case retirement is chosen before age sixty-five, the annuity will be reduced by one one-hundred and eightieth for each calendar month by which the worker's age falls below sixty-five when the annuity begins to accrue.

The monthly annuity depends upon average earnings and length of service, and is determined by the following formula:

- 2 per cent of the first \$50 of the average monthly compensation, plus
- 1½ per cent of the next \$100, plus
- 1 per cent of the balance of average monthly income,

multiplied (that is, the sum of these three products) by the number of years of credited service. The average monthly compensation earned by the worker during the period 1924 to 1931 is taken as applicable to his entire period of prior service in determining his average monthly compensation for computing the amount of his annuity. The average monthly compensation subsequent to this time is the actual amount earned. Only the working months are taken into consideration in making these average earning computations, and compensation above \$300 during any one month from one or more employers is excluded from credited compensation.¹⁸ In no case can an employee receive monthly annuities of more than \$120 per month, and his payments may never be less than he would receive under the Social Security Act for the same earnings. The minimum annuity for a worker completing twenty

¹⁸ *Monthly Labor Review*, vol. 45, August, 1937, pp. 377-9.

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years of service is \$40 per month. All payments are made direct to the beneficiary from funds kept in trust by the federal government.

If an employee elects to do so, he may reduce his annuity payment to himself in order to provide a *survival allowance* for his wife. Death benefits are provided for persons who were working as regular employees subsequent to December 31, 1936. Heirs of a deceased worker's estate receive as *lump-sum death benefits* the equivalent of 4 per cent of all taxable wages earned prior to death and after December 31, 1936.¹⁹ Annuity payments are not subject to assignment, garnishment, attachment, or other legal procedures. A Railroad Retirement Board of three members, appointed in the conventional way, acts as the administrative agency of the act.

This program is financed through taxes collected under the Carriers' Taxing Act of 1937. Under this law, an excise tax on employers and an income tax on employees is imposed, beginning at 2¾ per cent from each in 1937, and rising by ¼ per cent increments from each every three years until each tax rate reaches a maximum of 3¾ per cent in 1949 and thereafter. More than 167,216 individuals had received payments under this program up to January 1, 1940, and actual annuities up to this date averaged approximately \$66 per month per beneficiary, an amount considerably higher than is allowable under most types of pension programs. The higher amount is due largely to the fact that earnings in the railway industry are relatively greater and service is relatively longer than it is for the average of industries covered under the Social Security Act.

4. *Pension Plans for Civil Servants.* Various governmental agencies throughout the nation have provided annuity payments to certain classes of public servants through the enactment of pension laws. In this respect the federal government has set a high standard, having for years provided liberal allowances for benefits to those retiring from the Army and Navy, Postal Department, and many other branches. On June 30, 1936, there were 51,206 retired and disabled pensioners on the federal rolls alone. Among the 5783 annuitants placed in 1936 for the first time upon these federal rolls, the annual benefits ranged between \$86.04 and \$1-

19. Social Security Board, *Social Security Bulletin*, vol. 2, July, 1939, p. 7.

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479.24, with almost half the total number receiving from \$1100 to \$1200 per year.²⁰ Some of these governmental programs are contributory on the part of the workers, while in others the complete cost is borne by the agency itself.

RELATIVE MERITS OF CONTRIBUTORY AND NONCONTRIBUTORY SYSTEMS. There are certain advantages to be found in old-age pension programs involving the application of either of these two basic principles. Compulsory contributory old-age insurance is applicable to all classes of the population who have gainful occupations, removes the stigma of charity, encourages thrift, places a legitimate charge upon industry by requiring employers to contribute to the fund, and avoids an excessive burden of taxation. Its wide adoption is convincing evidence of its basic merits. There are many, however, who seriously object to such a system of insurance. Some criticize the limitation of protection to those who are regularly employed and insist that the principle of universality is best served by gratuitous pensions. In this connection it is pointed out that employed persons of the poorest class find it difficult to contribute because of their inadequate wages. Individualistically minded people, especially in the United States, oppose this form of social insurance because it presupposes at least partial dependence upon the state, thus undermining self-reliance, and is contrary to the fundamental principle of individualism that deplors the extension of state aid. It is the item of expense rather than the surrender of traditional individualism that disturbs many of these persons. Then, there are those who object that under this system both the contributions and the amount of the pensions are too small to be effective. This was one of the basic criticisms of the Social Security Act which has been partly overcome by the changes effected in 1939. There still remain the dangers of an accumulation of excessive reserve funds held over a period of years.

The chief advantage of a straight noncontributory system is that such a plan is simple and, unless cumbersome limits are imposed upon the extension of benefits, the amount of the pension is definitely known. The conditions of participation are clearly defined and the expense of

20. Cited in Gordon S. Watkins and Paul A. Dodd, *The Management of Labor Relations* (McGraw-Hill, 1938), p. 652.

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administration is not large. Gratuitous pensions are in the final analysis merely the extension of the principle of relief for poor persons that governments have long practiced. Outdoor relief through a definite pension is, however, much superior to indoor relief through institutions. The stigma of charity need not appear, since everybody, directly or indirectly, contributes to the fund through taxes. Wage earners contribute not only through indirect taxes but also through contributions of physical strength and skill to the production of wealth in which they share inadequately. Thoughtful care of the indigent old cannot but result in a greater loyalty and in a deepened appreciation of social justice. There is no reason to believe that such pensions will ever be so large as to discourage thrift or destroy self-reliance. But the plans cannot be hastily conceived with no thought of who will pay the cost of the programs. If they are to be workable at all, they must be financially sound as well as reasonably generous.

FORMS OF SPECIAL AID. The Social Security Act, besides affording unemployment compensation and old-age pensions, has done much to promote social security among the masses of working people. The nation's human resources are being protected more and more through the effective aid extended by the federal government on behalf of the promotion of public health, maternal care, and child welfare, and through appropriations making possible the extension of aid to the needy blind and to dependent and homeless children.

Title V of the act (as amended) makes available the following federal appropriations for grants to states which in turn must carry on the work under standards established and maintained by the federal government, if the appropriations are actually allotted:

1. For maternal and child health \$ 5,820,000 (an increase of \$2,020,000 per year over the 1935 act)
2. For services for crippled children 3,870,000 annually
(a \$1,020,000 increase)
3. For vocational rehabilitation 3,500,000 annually
(a \$1,562,000 increase)
4. For public health work 11,000,000 annually
(a \$4,000,000 increase)

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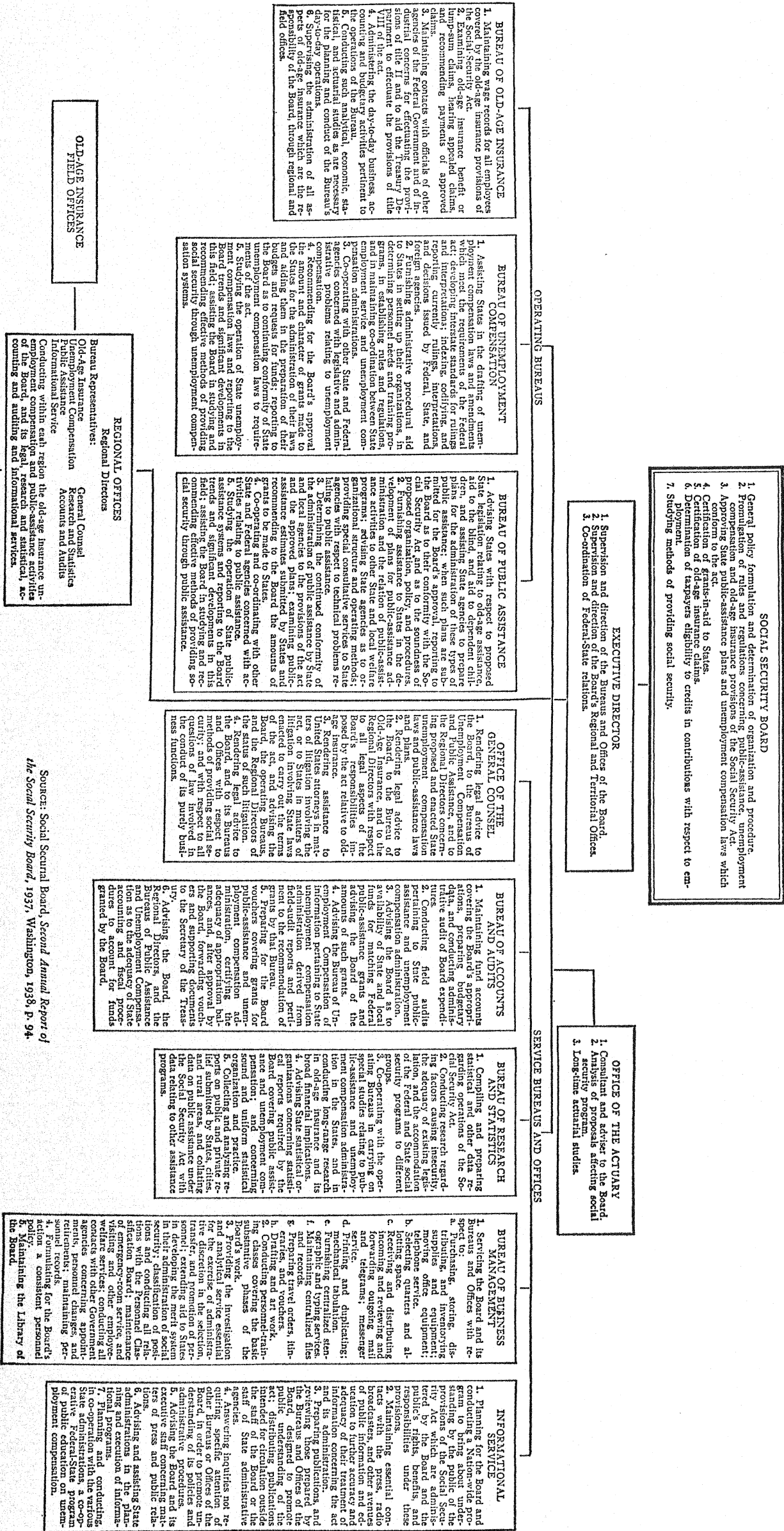
In addition to these far-reaching services made possible through the appropriation of supplementary federal funds, Titles IV and VII of the law set down the terms under which other socially needed appropriations will be made. Title IV sets up a schedule of federal grants to dependent children. From January 1, 1940, these have been made equal to one-half of the state's total expenditures, for both assistance and administration, up to a federal-state maximum of \$18 for the first dependent child and \$12 for each additional dependent child in the same home. The maximum age requirements in the extension of these funds are sixteen years or eighteen years, if the child is regularly attending school.

In similar manner, Title VII establishes the terms under which the federal government will match state funds in extending aid to needy blind. From January 1, 1940, the federal government has pledged to match the state's total assistance expenditures dollar for dollar up to a federal-state maximum of \$40 a month to each needy blind individual, plus an additional amount equal to the state's total administrative expenditures.

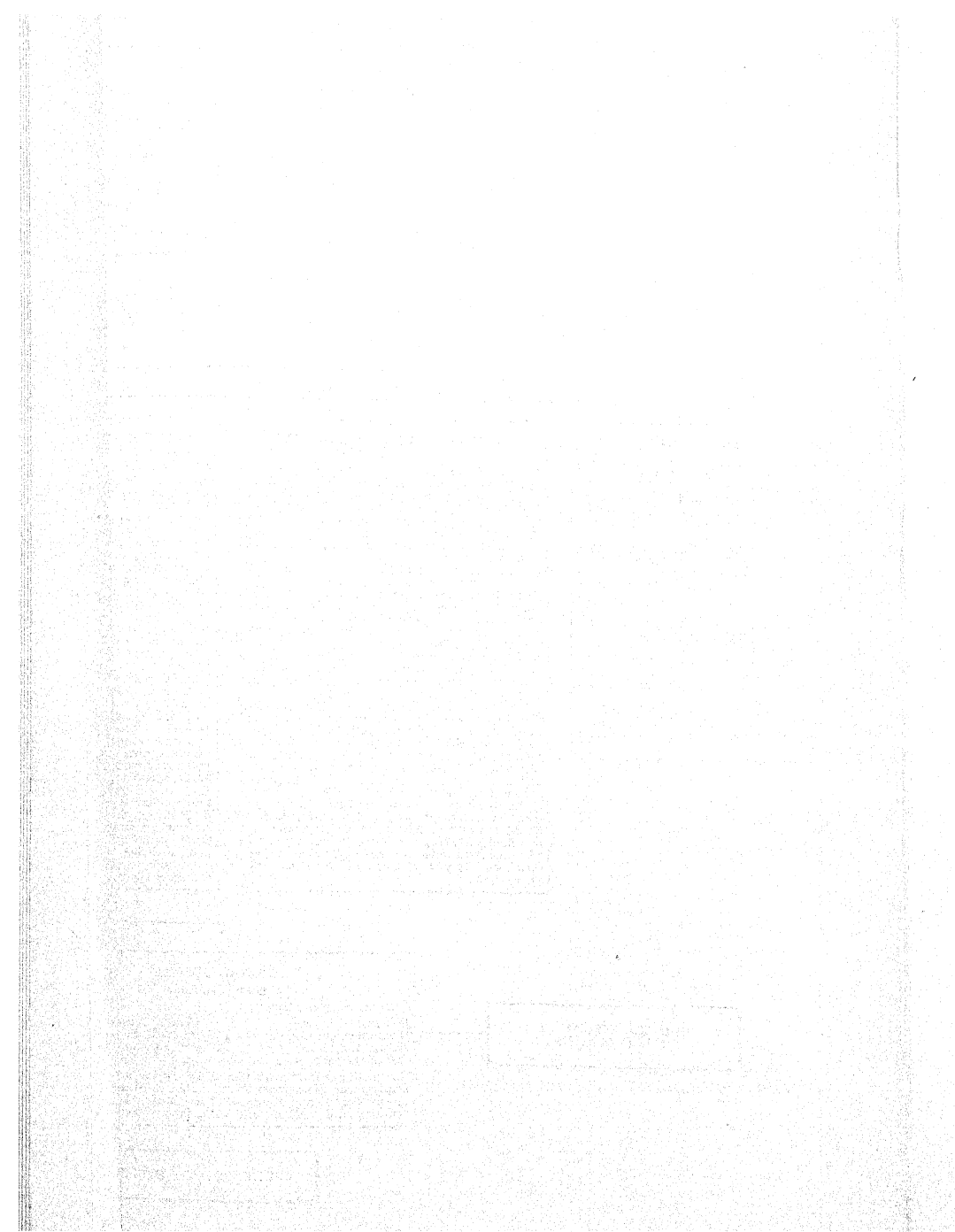
These expenditures in the promotion of public health and the welfare of needy citizens are bound to pay substantial dividends as time goes on.

ADMINISTRATION OF THE SOCIAL SECURITY ACT. Title VII of the Social Security Act establishes a Social Security Board, composed of three members appointed by the President with and by the consent of the Senate. Each member, serving six-year terms of office on salaries of \$10,000 annually, shall devote his full time to duties of the board. The board's chief responsibilities are those involved in making recommendations as to the most effective methods of providing economic security through the forms of social insurance, including unemployment compensation, old-age pensions, accident compensation, and related subjects. The board is authorized to employ a staff necessary to discharge these duties, and has thereby divided the country into several major districts, establishing throughout each a central district Social Security Board office and a number of branch offices. Upon the board itself fall the major tasks of supervising distribution of the millions of dollars appropriated under the act, directing the work of its staff of almost 7000 government workers, and maintaining the high standards of social

CHART 30: FUNCTIONAL CHART OF THE SOCIAL SECURITY BOARD



Source: Social Security Board, *Second Annual Report of the Social Security Board, 1937, Washington, 1938, p. 94.*



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security which in many cases the board itself prescribes under the terms of the law. The bureaus through which the tasks are carried on are set forth in Chart 30.

CRITICISM OF THE AMERICAN SOCIAL SECURITY PROGRAM. The chief criticisms of the Social Security Act have centered around three points:

1. The act is too broad to permit effective administration.
2. The act is economically and socially unsound.
3. Even though successfully administered, it renders completely inadequate aid to individual persons.

1. *The Act Makes Effective Administration Impossible.* Many students of social security seriously questioned the human possibility of any one agency being able to build up and maintain a set of individual records covering the quarterly earnings of perhaps 25,000,000 people scattered throughout the nation, as was necessitated under the old-age pension titles of the act. But, as the first four years of successful operation have convinced even the most skeptical, not only is such a program possible, but even a far more extensive one has actually been worked out and now is in successful operation. The records of some forty million workers in the United States, including hundreds of thousands of Joneses and Smiths (some of whom have almost identical personal, age, birth, residence, and occupational characteristics) are actually being maintained. Thus, there has been placed in force the most far-reaching social security program in the world outside the wholly nationalized system of Russia. Actual accomplishment has dispelled any lingering doubts, and this criticism has been abandoned.

2. *The Act Is Financially and Economically Unsound.* Many criticisms relative to the financial soundness of the program still persist. It has been argued that the social security taxes imposed constitute a new and heavy burden on the present economy; that they will penalize the consumer and producer through higher prices and lower profits; and that the program will discourage thrift. The pay-roll tax is considered by some to be especially objectionable, since it will make heavy inroads into profits and will encourage employers to reduce pay rolls by withholding wage increases, by substituting labor-saving devices, and by discharging old and inefficient workers. The pay-roll tax has been viewed

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as especially harmful in restricting the growth of young and hard-pressed industries, such as the airplane and textile industries. Finally, there are thought to be grave political and social dangers in the accumulation of tremendous reserves such as are anticipated in the course of years under the program. Especially dangerous are high degrees of control over such funds by the federal government and the draining of funds from private investment which this accumulation of funds must entail.²¹

Many of the criticisms are the inevitable outcome of the launching of a new tax upon private business, and have become decreasingly important as the program has settled down and the taxes have been shifted. Of real economic and social concern, however, are the prospects of the accumulation of an estimated reserve of approximately \$47,000,000,000 by 1975 or 1980. Admittedly, this is fraught with great danger, and if allowed to accrue might very easily prove to bring untold economic and social insecurity to the nation, thus destroying the very objectives for which the program has been launched.

Most students of labor and social security, however, in view of the very certain changes and modifications which must be made in the light of experience, are not alarmed at these prospects. It is our personal belief that work toward this end must be continued, and that the soundest and most practical method of safeguarding social security against the imminent financial dangers of the present program would be to adopt a pay-as-we-go policy. Under such a scheme, the government might wisely use the revenues from the whole program during good years to retire the national debt, and pursue a policy which must be followed in the absence of such a program in any event; namely, to expand the national debt during the periods of widespread unemployment to provide cash payments on unemployment compensation. Unemployment alone, then, would require an expanding and contracting national debt, since the old-age pension and other social insurance pro-

21. For a summary of criticisms along these lines, see the address of Winthrop W. Aldrich, Chairman of the Board of Directors, The Chase National Bank of New York, entitled "An Appraisal of the Federal Social Security Act," delivered July 10, 1936.

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grams could be paid for as time goes on by members of the working population. Thus, in similar manner they in turn would be cared for during their old age by those who at that time are working.

3. *The Act Does Not Provide Adequate Pensions.* Many people, some of whom are sympathetic toward the general objectives of social security, believe that benefit schedules are still too small, even after 1939 amendments were enacted, and that in some cases private pension plans would have provided workers with more liberal allowances. When the act was first passed, it was pointed out that unemployment benefits were paid for a relatively short time only, that no protection was given the worker who retires before reaching the age of sixty-five, and that no benefits were allowed for withdrawals due to invalidity. The program was felt to have been hastily conceived and not well worked out before it became a law.

To these criticisms there is but one effective reply. A beginning must be made, and already many of the mistakes apparent in the original act have been corrected by the amendments of 1939. This improvement must continue during the life of the program. It is, indeed, impossible to foresee all the weaknesses of a program until experience builds up a record which, in retrospect, can be scrutinized most critically for the purpose of betterment and strength.

There are still many weaknesses in the program. One of the most serious is the fact that the whole field of the worker's health, and that of his family, has been omitted. But a significant beginning has been made. The nation's next task is to strengthen and extend the program in the light of experience and in the interest of the public health and welfare.

Questions for Class Discussion

1. It has been said that during the past few years in the United States the old doctrine of *laissez faire* has been forced into the background. What evidences of this shift in economic philosophy can you give, and why has this change occurred?

2. Could the federal government have avoided the expenditure of billions of dollars for relief purposes during the years following 1933, or was this policy forced upon it by practical circumstances?

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3. Trace the development of the federal emergency relief program from 1933 down to the present time. What were the major objectives of this program? In retrospect, do you think these objectives were met?

4. What is the difference between the theory of "direct relief" and "work relief." Which is sounder, both from the individual and the social viewpoints, and why? Has recent experience shed any helpful light on this question?

5. Set forth the need which was felt in the United States for a Social Security program on the eve of the signing of the Social Security Act in 1935.

6. Is there a difference between "social security" and "social insurance"? Between "unemployment compensation" and "unemployment insurance"?

7. Why have certain European countries had such a long experience with social insurance programs whereas the United States has only recently launched upon such a program? How do you account for the tardy American development? Compare briefly the relative status of the American program with that of Belgium, Great Britain, Germany, Switzerland.

8. Evaluate critically the theoretical implications of large- and wide-scale unemployment compensation payments. What is the likely effect of such payments upon capital formation? Price levels? The business cycle?

9. Why does the railroad industry have its own "unemployment insurance" program entirely apart from the Social Security Act?

10. Does old age present the same type of risk as that of unemployment? What bearing does the type of risk have upon the type of security program to be launched?

11. Would you expect an employer of a large number of workers in an enterprise which faces keen local and national competition to favor a system of non-contributory pensions over a contributory pension system? Who, in the final analysis, bears the cost of old age? Can the incidence be shifted?

12. What are the principal objectives of old-age and survivors insurance? What kind of benefits are provided under this program? What requirements must a wage earner meet to get monthly retirement benefits? Is it necessary for a worker to retire in order to get monthly benefits?

13. How is the amount of monthly benefits to which a retired worker may be entitled calculated? How is the average monthly wage determined?

14. Suppose a man had been receiving an average monthly wage of \$100 since January 1, 1937 and chose to retire when he reached age 65 in January, 1940. What would be the amount of his monthly benefit? How much would he have received under the original schedule before the amendments of 1939 were passed?

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15. How are supplementary monthly benefits for the aged wife or dependent child of an annuitant determined? Suppose a man who has earned \$150 per month regularly for 5 years reached 65 and retired in March, 1942. What will his monthly benefit be and what benefit will his wife receive?

16. What are the major objectives of the federal-state employment security program? What part do the federal government and the states play in this program? Is the federal pay-roll tax for employment security levied upon all employers? All employees?

17. Are the major criticisms of the American Social Security program sound? Evaluate critically both the criticisms and the answers suggested in this chapter.

18. What fundamental changes, if any, do you think should be made in strengthening the program?

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Chapter 29

WORKMEN'S COMPENSATION AND HEALTH INSURANCE

¶ WORKMEN'S COMPENSATION INSURANCE. The development of legislation providing workmen's compensation for industrial accidents has made remarkable strides in recent years, and has gone a long way in meeting the human waste in industry caused by industrial accidents. Definite legal provision for injured workmen was first made in Germany, the pioneer in most forms of social insurance, where compulsory insurance against accidents became effective in 1885. Austria passed a law in 1887 and Norway in 1894. Great Britain enacted a law in 1897 giving similar protection, and in 1906 provision was made to cover occupational diseases. Practically all countries have since taken similar action.

For many years the United States lagged behind European countries in enacting workmen's compensation laws. There are many reasons for this tardy development. Employers feared that such laws would increase greatly the cost of production and injure them in competition with producers not subject to these added costs. There was a suspicion that compulsory compensation would encourage malingering among injured workers. For years an indifferent attitude was manifested by organized labor, which preferred that such protection be provided through voluntary action. Of considerable importance were the general ignorance of the public concerning the necessity and value of such laws, and the traditional American suspicion that such a measure constitutes a step toward state socialism. Then there was the fear of state governments that the enactment of compulsory accident insurance laws would drive established industries out of the state and prevent the development of new ones.

Compensation and Health Insurance

An accident compensation law was passed in Maryland in 1902, the first state to enact such a measure. In Montana in 1910, and in New York in 1911 such laws were held unconstitutional, but after considerable education and investigation this type of labor legislation gained favor. The constitutionality of the early statutes was questioned on the grounds that in requiring an employer to compensate accidents for which he was not responsible, such acts deprive him of property without due process of law, destroy both the employer's and the worker's right of trial by jury, and impose upon the employer liability without fault.¹ Nevertheless, beginning with the enactment in 1911 of compensation laws in California, New Jersey, Washington, and Wisconsin, the movement for effective workmen's compensation laws spread rapidly.

By January, 1940 plans covering about 40 per cent of the working population of the nation were operating in forty-six states, the District of Columbia, and the territories of Alaska, Hawaii, Puerto Rico, and the Philippines.² The state of Mississippi is now the only jurisdiction without such legislation. In 1916, moreover, the federal government replaced a law enacted in 1908, applicable to certain federal employees, by a law covering all of its civilian employees. The constitutionality of workmen's compensation laws was sustained by the United States Supreme Court in 1917 in cases involving the New York, Iowa, and Washington statutes, on the ground that such laws tend to promote the public welfare and are therefore within the police power of the state.³

THEORY OF EMPLOYER'S LIABILITY. Under the old theory of liability, common law gave the employer the right to make any one of three defenses against an employee's claim to damages sustained while on duty. First, under the doctrine of *voluntary risk assumption*, the employer could avoid liability if it could be shown that the worker knew of the hazards of the job but accepted employment anyway. Second,

1. John R. Commons and J. B. Andrews, *Principles of Labor Legislation*, rev. ed. (Harper, 1936), p. 238.

2. U. S. Bureau of Labor Statistics, *Serial No. R.1090*, 1940, p. 1

3. *New York Central Railroad Co. v. White*, 243 U.S. 188, 37 Sup. Ct. 247 (1917); *Hawkins v. Bleakly*, 243 U.S. 210, 37 Sup. Ct. 255 (1917); *Mountain Timber Co. v. Washington*, 243 U.S. 219, 37 Sup. Ct. 260 (1917).

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under the doctrine of *contributory negligence*, the employer was not liable if the worker's injury was due to his own carelessness and negligence. Finally, under the doctrine of *fellow servant negligence*, if the worker's injury was due to the carelessness of his own fellow workers, the employer was not liable.

As was pointed out in Chapter 12, however, these old theories have been replaced by the acceptance of new principles of workmen's compensation in every state but one throughout the nation. Under these new principles at least four basic theories are advanced in support of full employer's liability under workmen's compensation laws. The worker is economically inferior to his employer in modern industrial relations, and therefore it appears only fair to hold the employer rather than the worker responsible for loss in case of accident. Again, from the practical point of view, in many cases of accident it is almost impossible to fix definitely the responsibility upon any one party. As a matter of expediency it seems fair to hold the employer responsible under the law, and innumerable disputes are settled before they arise by means of this common understanding. The employer is owner of the machinery and equipment used by the worker. He is the one responsible for its upkeep and proper use, and, if the responsibility for damage in case of accident during its use is placed upon the employer, he has the power and authority to see that it is in proper repair, and that proper safeguards are used while the worker performs his tasks. Finally, this cost of protection and responsibility can be passed on to the consumer and, therefore, is not actually borne by the employer.

SCOPE OF THE LAWS. The inclusiveness of workmen's compensation laws varies with the states.⁴ Some laws cover practically the whole range of industrial employments, while others are limited to what are commonly known as hazardous or extrahazardous occupations. No law undertakes to cover all employments. Domestic service, agricultural work, and other so-called nonhazardous employments are generally excluded, although voluntary acceptance of the law in these occupations is sometimes provided for. Railroad employees engaged in interstate

4. For a full discussion of this subject see "Coverage Limitations of Workmen's Compensation Laws," *Monthly Labor Review*, vol. 48, June, 1939, pp. 1267-81.

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commerce come under federal regulation. Casual employments are usually excluded. Public employees, employers having only a few workers, and enterprises not conducted for gain are usually excluded. In a few states employees receiving a designated wage or salary are not covered.

The laws of twenty-seven states and the federal government provide compensation for occupational diseases generally or for designated diseases of this class. In this regard the laws are quite restrictive, although the federal statute and that of North Dakota include under "injuries" any "disease proximately caused by the employment," and California compensates for "any injury or disease arising out of the employment."

All accidents sustained in the course of employment are usually compensatory, except those attributable to willful intention, which are wisely excluded. Some states also exclude accidents caused by the intoxication of the injured workman. Failure on the part of the worker to use safety appliances may cause a reduction in compensation, and there is a tendency to increase the amount of compensation if the employer fails to provide the guards and appliances required by law. In Wisconsin, for example, the law provides a 15 per cent increase in the injured workman's compensation if the employer fails to obey the safety laws and a reduction of 15 per cent if the worker fails to use the safety devices. The compensation of illegally employed minors is doubled or trebled in some states.

1. *Election of Operation.* In a majority of states, the employer and employee may exercise a choice as to the acceptance of the provisions of the workmen's compensation law. In most of these states election is presumed in the absence of active rejection. A number of states require the employer to take positive action in this matter, but if he acts the worker's acceptance is presumed, except in Kentucky, where the latter must sign an acceptance. In some cases acceptances must be filed with the designated state authorities, while in others the act of insuring signifies election.

Where the employer rejects the law, actions for damages may be brought without the customary common-law defenses. If the employer

has accepted and the employee rejects the law, actions for damages are subject to the defenses of the common law, except in two states,⁵ where the defenses are abrogated absolutely. Inducement to election is thus offered by the abrogation of the common-law defenses. Actions for damages are generally forbidden where both parties have accepted the law, but in New Hampshire (an elective state) the employee may, after his injury, choose which remedy he will pursue. In a large number of states the common-law defenses are removed when an employer has failed to provide the insurance required by the act or is in default in premiums. In a number of states suit may be brought if there is "intent" or "deliberate intent" on the part of the employer to injure, or if the injury is due to his gross negligence or willful misconduct. No suits are permitted in fifteen states.

2. *Waiting Period.* In all states except Oregon, a minimum duration of disability is required as a condition of the payment of workmen's compensation. This is known as the "waiting period." In a few jurisdictions, compensation is made retroactive to the date of injury. The purpose of the waiting period is to discourage malingering on the part of workers who are only slightly injured and who wish to draw a portion of their pay while idle. Such procedure may be necessary and wise but it may also cause serious hardship and should, therefore, be reduced to a minimum, at most not exceeding a period of three days.

3. *Scale of Compensation.* To accomplish their basic purpose, workmen's compensation laws must provide an indemnity adequate to support the injured worker and his family during the period of disability and also to provide such medical and surgical attention as is necessary to the rapid restoration of health and earning capacity. Free medical attendance, medicine, and appliances are indispensable and will not only reduce the period of disability but also the total amount of compensation, thus benefiting both the employer and the worker.

All compensation laws now provide medical benefits. In a number of states and under the federal law neither the time nor the amount is limited, but generally there is a time limit ranging from thirty days to one year, and a financial limit ranging from \$100 to \$500. Sometimes

5. New Jersey and Pennsylvania.

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extension of medical benefits beyond the original provision is left to the discretion of the administrative board or commission. Although such services are generally without cost to the injured worker, some jurisdictions allow employers to deduct from their employees' pay certain contributions for the medical fund.⁶

Death, partial disability, and total disability (temporary or permanent) are the three general classes of compensatory accidents. The amounts actually payable under the laws are determined by three factors; namely, the rate, which is usually a percentage of wages, the term, and, in most states, a fixed maximum weekly or total payment or both. In all but three states the amount of compensation is based upon wages, although a few provide fixed lump sums or pensions for certain injuries but apply the percentage system to all other cases. In most states the prescribed percentage remains uniform for all injuries. A few states have varying percentages for different types of injuries, and in several the percentage varies with the conjugal condition and the number of children. In forty-three states the percentage of wages paid to injured workers is 60 or more; fifteen states, besides the federal statutes, provide for 66 $\frac{2}{3}$ per cent. Only five states still provide as low as 50 per cent. The weekly maximum is usually below \$20, but several allow only \$12 or \$15.

4. *Compensation for Total Disability.* For total permanent disability the time limitations vary from 240 weeks in California to 1000 weeks in Rhode Island, and money limitations from \$3000 in South Dakota to \$15,000 in North Dakota. Needless to say, these limitations often occasion serious hardship. Recognition of this fact has led the most liberal states, such as Ohio, to extend the benefits for the entire period of disability. "The result of the various restrictions has been computed as placing upon the injured worker about 50 per cent of the burden of industrial accidents in the most favorable states and from 65 to 80 per cent in those less favorable."⁷

5. *Compensation for Partial Disability.* For partial disability, which

6. In Alaska, for example, the employer may deduct \$2.50 a month to obtain a medical fund; in Arizona and Nevada, one-half the cost, but not over \$1 a month; and in Washington, one-half the cost. See *Monthly Labor Review*, vol. 47, September, 1938, pp. 566-87.

7. U. S. Bureau of Labor Statistics, *Bulletin* no. 423, p. 67.

MINIMUM AND MAXIMUM BENEFITS UNDER WORKMEN'S COM.

State	Per cent of wages	Maximum weeks	Death			Per cent of wages	Maximum weeks	Permanent total disability		
			Limit of payments		Total maximum ¹			Limit of payments		Total maximum ¹
			Per week					Minimum	Maximum	
			Minimum	Maximum						
Alabama	25-65	300	² \$5.00	\$18.00	\$5,400	55-65	550	² \$5.00	³ \$18.00	\$7,950
Alaska .....	.....	.....	.....	.....	9,000	.....	.....	.....	.....	9,000
Arizona	15-66 ² / ₃	(⁵)	.....	.....	.....	65	(⁵)	.....	.....	.....
California	65	.....	4.17	25.00	5,000	65	240	4.17	25.00	.....
Colorado	50	312	5.00	14.00	4,375	50	(⁶)	5.00	14.00	.....
Connecticut	50	312	7.00	21.00	6,552	50	520	7.00	21.00	10,920
Delaware	15-60	¹² 285	6.00	18.00	5,130	50	475	² 5.00	15.00	4,000
D. of C.	15-66 ² / ₃	(⁵)	² 1.80	25.00	7,500	66 ² / ₃	(⁴)	² 8.00	¹³ 25.00	7,500
Florida	35-60	350	² 6.00	18.00	5,000	50-60	350	² 6.00	18.00	5,000
Georgia	42 ¹ / ₂	300	.....	¹⁰ 12.75	3,825	50	350	² 4.00	20.00	7,000
Hawaii	25-60	¹⁸ 312	3.00	21.60	5,000	60	312	5.00	20.00	5,000
Idaho	10-55	¹⁹ 400	² 8.00	12.00	4,800	²⁰ 55-60	400	8.00	16.00	²¹ 6,400
Illinois .....	.....	.....	.....	.....	5,500	50-65	416	²² 7.50	20.00	(²³)
Indiana	55	300	² 8.80	16.50	5,000	55	500	² 8.80	16.50	5,000
Iowa	60	300	6.00	15.00	4,500	60	400	² 6.00	15.00	6,000
Kansas .....	.....	.....	.....	18.00	4,000	60	416	6.00	18.00	7,488
Kentucky	65	335	5.00	12.00	4,000	65	416	5.00	15.00	6,000
Louisiana	32 ¹ / ₂ -65	300	² 3.00	20.00	6,000	65	400	² 3.00	20.00	8,000
Maine	66 ² / ₃	300	6.00	18.00	4,000	66 ² / ₃	500	6.00	18.00	6,000
Maryland	66 ² / ₃	416	² 8.00	18.00	5,000	66 ² / ₃	(⁴)	² 8.00	20.00	6,000
Massachusetts ..	66 ² / ₃	¹² 500	4.00	²⁵ 10.00	6,400	66 ² / ₃	(⁴)	²⁰ 9.00	18.00	.....
Michigan	66 ² / ₃	300	7.00	18.00	5,400	66 ² / ₃	500	7.00	18.00	9,000
Minnesota	30-66 ² / ₃	300	² 8.00	20.00	7,500	66 ² / ₃	(⁴)	² 8.00	20.00	10,000
Missouri	66 ² / ₃	300	6.00	20.00	6,000	66 ² / ₃	300	6.00	20.00	²⁰ 6,000
Montana	30-66 ² / ₃	400	8.00	21.00	8,400	50-66 ² / ₃	500	8.00	21.00	10,500
Nebraska	66 ² / ₃	325	² 6.00	15.00	4,875	66 ² / ₃	300	² 6.00	15.00	(³⁰)
Nevada	10-66 ² / ₃	(⁵)	.....	18.46	.....	60	(⁹)	6.92	13.85	(³¹)
New Hampshire ..	(³²)	.....	.....	.....	4,500	50	300	7.00	17.00	5,100
New Jersey	35-60	¹² 300	² 10.00	20.00	6,000	66 ² / ₃	400	² 10.00	20.00	³³ 8,000
New Mexico	20-60	300	5.00	18.00	5,400	60	550	10.00	18.00	9,900
New York	15-66 ² / ₃	(⁵)	.....	23.08	.....	66 ² / ₃	(⁹)	² 15.00	25.00	.....
North Carolina ..	60	350	7.00	18.00	6,000	60	400	7.00	18.00	6,000
North Dakota ..	10-66 ² / ₃	(⁵)	1.80	20.00	15,000	66 ² / ₃	(⁴)	² 6.00	20.00	15,000
Ohio	66 ² / ₃	³⁷ 416	.....	18.75	6,500	66 ² / ₃	(⁹)	² 8.00	18.75	.....
Oklahoma .....	.....	.....	.....	.....	.....	66 ² / ₃	500	² 8.00	18.00	9,000
Oregon	(⁹)	³⁸ 1.85	(³⁹)	.....	.....	(⁴)	.....	6.92	³⁹ 8.08	.....
Pennsylvania	15-75	⁴⁰ 500	2.78	18.00	.....	65	500	12.00	18.00	(⁴¹)
Philippines	25-60	208	(⁴²)	.....	⁴³ 3,000	60	208	⁴³ 18.00	⁴⁴ 18.00	⁴⁵ 3,000
Puerto Rico .....	.....	.....	.....	.....	3,000	50	340	3.00	10.00	3,000
Rhode Island	50	500	6.00	16.00	8,000	50	1,000	7.00	20.00	10,000
South Carolina ..	60	350	5.00	25.00	6,000	60	500	5.00	25.00	6,000
South Dakota .....	.....	.....	.....	3.00	55	(⁴)	² 7.50	15.00	3,000	.....
Tennessee	50	400	² 5.00	16.00	5,000	50	550	5.00	³ 16.00	5,000
Texas	60	360	7.00	20.00	7,200	60	401	7.00	20.00	8,020
Utah	60	⁴⁶ 312	.....	⁴⁷ 16.00	7,500	60	260	7.00	16.00	(⁴⁸)
Vermont	15-50	260	5.00	.....	3,500	50	260	² 7.00	15.00	4,000
Virginia	55	300	6.00	16.00	5,000	55	500	6.00	16.00	6,000
Washington .....	.....	(⁵)	³⁸ 4.62	(⁵⁰)	.....	(⁴)	.....	8.08	(⁵¹)	.....
West Virginia .....	.....	(⁵)	³⁸ 7.00	(⁵⁸)	.....	66 ² / ₃	(⁹)	8.00	16.00	.....
Wisconsin ⁵⁵	(⁵⁶)	.....	10.00	15.00	15,000	70	(⁹)	14.00	21.00	(⁵⁷)
Wyoming .....	.....	.....	(⁵⁹)	(⁶⁰)	8,000	.....	.....	(⁶¹)	(⁶²)	³⁰ 10,000
United States:										
Civil employees	10-66 ² / ₃	(⁵)	2.02	26.92	.....	66 ² / ₃	(⁴)	² 13.46	26.92	.....
Longshoremen	15-66 ² / ₃	(⁵)	² 1.80	25.00	7,500	66 ² / ₃	(⁴)	² 8.00	¹³ 25.00	7,500

Source: *Monthly Labor Review*, vol. 47, September, 1938, pp. 578-579. Compiled as of July 1, 1938.

1. Total maximum payments computed by Bureau of Labor Statistics, where not stipulated by law.

2. Or actual wages, if less than minimum amount listed.

3. \$5 after 400 weeks.

4. During period of disability.

5. During widowhood, or specified minority age of children.

6. Life.

7. Plus \$10 per month for dependents.

8. Plus 40 per cent of wages thereafter for life.

9. Plus life pension of from 1 to 40 per cent for over 60 per cent disability.

10. In addition to temporary total disability. In case of permanent partial disability not given in schedule, maximum compensation allowed is \$3640. There is also an additional amount for disfigurement.

11. In cases of permanent partial disability not listed in schedule, compensation may be allowed for a greater number of weeks.

12. Payments continue to children until they reach specified age.

PENSION LAWS BY EXTENT OF DISABILITY AND BY STATES

Permanent partial disability					Temporary total disability				
Per cent of wages	Maximum weeks	Limit of payments			Per cent of wages	Maximum weeks	Limit of payments		
		Per week		Total maximum ¹			Per week		Total maximum ¹
		Minimum	Maximum				Minimum	Maximum	
55-65	400	² \$5.00	\$18.00	\$7,200	55-65	300	² \$5.00	\$18.00	\$5,400
.....	.....	.....	.....	7,200	65	(⁴)	.....	.....	.....
55	260	.....	.....	.....	65	433	.....	.....	.....
65	240	4.17	25.00	⁹ 6,000	65	240	4.17	25.00	6,000
50	208	5.00	14.00	¹⁰ 2,912	50	(⁴)	5.00	14.00	.....
50	¹¹ 225	7.00	21.00	³ 4,725	50	520	7.00	21.00	10,920
50	1194	² 5.00	15.00	2,910	50	475	² 5.00	15.00	4,000
⁶⁶ ² / ₃	14280	² 8.00	25.00	¹⁵ 7,000	⁶⁶ ² / ₃	(⁴)	² 8.00	25.00	7,500
50-60	¹¹ 350	² 6.00	18.00	5,000	50-60	350	² 6.00	18.00	5,000
50	¹¹ 200	² 4.00	20.00	¹⁷ 5,000	50	350	² 4.00	20.00	7,000
50	312	² 5.00	12.00	5,000	50	312	² 5.00	20.00	5,000
55	237	.....	16.00	¹⁷ 3,792	²⁰ 55-60	400	16.00	16.00	²¹ 4,000
50-65	¹¹ 225	²² 7/50	20.00	²⁴ 4,500	50-65	(⁴)	²² 7/50	20.00	4,000
55	¹¹ 250	² 8.80	16.50	5,000	55	500	² 8.80	16.50	5,000
60	225	² 6.00	15.00	3,375	60	300	² 6.00	15.00	4,500
60	210	.....	18.00	3,780	60	415	6.00	18.00	7,470
65	¹¹ 200	5.00	12.00	4,000	65	416	5.00	15.00	6,000
65	¹¹ 200	² 3.00	20.00	4,000	65	300	² 3.00	20.00	6,000
⁶⁶ ² / ₃	¹¹ 150	6.00	18.00	2,700	⁶⁶ ² / ₃	500	6.00	18.00	6,000
⁶⁶ ² / ₃	200	² 8.00	18.00	¹⁷ 3,750	⁶⁶ ² / ₃	312	² 8.00	20.00	3,750
.....	75	.....	²⁷ 10.00	³⁷ 750	⁶⁶ ² / ₃	500	²⁰ 9.00	18.00	4,500
⁶⁶ ² / ₃	¹¹ 200	7.00	18.00	3,600	⁶⁶ ² / ₃	500	7.00	18.00	9,000
⁶⁶ ² / ₃	²⁸ 450	² 8.00	20.00	9,000	⁶⁶ ² / ₃	300	² 8.00	20.00	6,000
⁶⁶ ² / ₃	¹¹ 232	6.00	20.00	⁴¹ 640	⁶⁶ ² / ₃	400	² 6.00	20.00	8,000
50- ⁶⁶ ² / ₃	¹¹ 200	8.00	21.00	4,200	50- ⁶⁶ ² / ₃	300	8.00	21.00	6,300
⁶⁶ ² / ₃	¹¹ 225	² 6.00	15.00	¹⁷ 3,375	⁶⁶ ² / ₃	300	² 6.00	15.00	4,500
50	260	6.92	13.85	¹⁷ 3,600	60	433	6.92	16.62	⁷ 2,200
50	300	7.00	17.00	5,100	50	300	7.00	17.00	4,500
⁶⁶ ² / ₃	²⁴ 230	² 10.00	20.00	¹⁷ 4,600	⁶⁶ ² / ₃	300	² 10.00	20.00	6,000
60	180	10.00	18.00	²⁶ 3,240	60	550	10.00	18.00	9,900
⁶⁶ ² / ₃	¹⁴ 312	² 8.00	25.00	¹⁷ 7,800	⁶⁶ ² / ₃	(⁴)	² 8.00	25.00	5,000
60	¹¹ 200	7.00	18.00	²⁶ 3,600	60	400	7.00	18.00	6,000
⁶⁶ ² / ₃	¹¹ 234	6.00	20.00	4,680	⁶⁶ ² / ₃	(⁴)	² 6.00	20.00	15,000
⁶⁶ ² / ₃	215	.....	18.75	³⁸ 4,000	⁶⁶ ² / ₃	312	² 8.00	18.75	3,750
⁶⁶ ² / ₃	¹¹ 250	² 8.00	18.00	4,500	⁶⁶ ² / ₃	300	² 8.00	18.00	5,400
.....	208	8.08	11.54	¹⁷ 2,400	40- ⁶⁶ ² / ₃	(⁴)	² 6.92	22.38	.....
65	¹¹ 265	12.00	18.00	4,770	65	500	12.00	18.00	9,000
50	208	.....	⁴³ 10.00	⁴³ 3,000	60	208	⁴⁴ 18.00	⁴³ 18.00	⁴³ 3,000
50	300	1.50	10.00	³⁸ 2,000	50	104	1.50	10.00	1,040
50	¹¹ 150	8.00	20.00	¹⁷ 3,000	50	1,000	7.00	20.00	10,000
50	¹¹ 200	5.00	25.00	³⁸ 5,000	60	500	5.00	25.00	6,000
⁴⁵ 55	¹¹ 200	²⁷ 5.00	15.00	¹⁷ 3,000	55	(⁴)	²⁷ 5.00	15.00	3,000
50	350	² 5.00	16.00	5,600	50	300	² 5.00	16.00	4,800
60	¹¹ 200	7.00	20.00	4,000	60	401	7.00	20.00	8,020
60	¹¹ 200	.....	16.00	¹⁷ 3,200	60	312	²⁷ 6.00	16.00	⁴⁸ 6,250
50	¹¹ 170	²⁷ 7.00	15.00	¹⁷ 2,550	50	260	²⁷ 7.00	15.00	3,900
55	¹¹ 200	6.00	16.00	3,200	55	500	6.00	16.00	6,000
.....	.....	.....	.....	3,000	.....	(⁴)	.....	(⁶²)	.....
⁶⁶ ² / ₃	⁸⁴ 340	8.00	16.00	5,440	⁶⁶ ² / ₃	78	8.00	16.00	1,248
70	⁵⁸ 500	14.00	21.00	⁵⁷ 10,500	70	(⁴)	7.35	21.00	(⁵⁷)
.....	.....	(⁶¹)	(⁶³)	¹⁷ 2,500	.....	(⁴)	(⁶²)	(⁶⁴)	(⁵⁹)
⁶⁶ ² / ₃	(⁴)	.....	26.92	.....	⁶⁶ ² / ₃	(⁴)	² 13.46	26.92	.....
⁶⁶ ² / ₃	¹⁴ 280	² 8.00	25.00	¹⁸ 7,000	⁶⁶ ² / ₃	(⁴)	² 8.00	25.00	7,500

13. In addition to compensation, employee undergoing vocational rehabilitation is paid cost of maintenance, maximum \$10 weekly.

14. In case of permanent partial disability not given in schedule, compensation is paid during disability.

15. In addition to compensation for temporary total disability. There is also an additional amount for disfigurement.

16. Under an agreement with insurance carriers \$17 is the maximum payment. (See ABC Reporter, April, 1938, p. 13.)

17. In addition to compensation for total disability.

18. Payments continue to children until they become 16, and if unmarried and incapable of self-support, for 104 weeks thereafter.

19. In case of an incapacitated unmarried child, payments continue 400 weeks after reaching 18 years of age.

20. Award is increased 5 per cent for each dependent child.

21. Plus \$8 per week thereafter.

22. Minimum is \$11 when 1 child under 16, \$12 when 2, \$13 when 3, and \$14 when 4 or more.

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means the impairment of earning power, such as the amputation or loss of use of a limb, most states provide for the payment of a percentage of wages for a specified number of weeks, depending upon the nature and severity of the injury. For example, there may be 15 weeks' indemnity for the loss of a little finger or 60 weeks for the loss of a thumb, 150 weeks for the loss of a hand, and 200 weeks for the loss of a leg. Such provisions are often criticized as arbitrary and unjust; advanced opinion favors the California plan of adjusting the compensation to the degree of loss in earning power. Under this plan a schedule has been worked out which shows the degree of impairment in earning power that will probably be caused by each specific injury to a worker of a given age in any given occupation.

6. *Death Benefits.* The laws of several states and of the federal government provide for the continuance of death benefits to dependent widows for life or until their remarriage. Generally the benefits are a percentage of the employee's wages, but there are usually definite limits as to time and amount of payment. Vermont provides a time limit of 260 weeks with a maximum of \$3500 compensation, while Ohio has a time limit of 416 weeks with a maximum compensation of \$6500. North Dakota allows 35 per cent of the wages for the widow until death

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23. Plus life pension of from 8 to 12 per cent of total previous payments.
 24. In addition to payments for total disability for period not to exceed 64 weeks.
 25. If widow alone, \$10 per week; \$2 additional for each child under 18.
 26. Or actual wages, if less than minimum amount listed, but not less than \$7, if employee's normal working hours are 15 or more per week.
 27. \$10 is paid in all cases.
 28. Includes healing and rehabilitation periods of 25 weeks each.
 29. Plus 25 per cent of wages thereafter for life.
 30. Plus 45 per cent of wages thereafter, subject to a minimum of \$4.50 (or actual wages if less than minimum) and a maximum of \$10.
 31. Plus additional allowance for constant attendant, if necessary.
 32. 150 times the average weekly earnings, not to exceed \$4500.
 33. Employee submitting to physical or educational rehabilitation receives compensation after 400 weeks at a reduced rate in proportion to earning capacity.
 34. Cumulative for two or more specified injuries, with total maximum period of 500 weeks.
 35. \$30 per month for widow or wife, plus \$8 per month for each dependent child.
 36. Plus additional amount for disfigurement.
 37. For the remainder of the period between date of death and 416 weeks after date of injury.
 38. Or 50 per cent of previous average monthly support for certain dependents.
 39. Plus \$8 monthly for each dependent child.
 40. Continues after 500 weeks to widow until remarriage, and to children until they become 18.
 41. Compensation continues after 500 weeks at the rate of \$30 a month until death.
 42. In computing death benefits, the average weekly wages are to be reckoned at not more than 30 pesos nor less than 4. The act does not specify minimum or maximum payments.
 43. Pesos.
 44. Pesos. Actual wages if less than minimum amount listed.
 45. In case of permanent partial disability not given in schedule, compensation is paid at the rate of 50 per cent of wages.
 46. For the remainder of the period between the date of death and 312 weeks after the date of injury.

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or remarriage, and 10 per cent additional for each child, the total not to exceed $66\frac{2}{3}$ per cent. A few states limit the death benefit to a specified monthly amount; others fix the maximum total payments from \$3000 to \$15,000. Apparently most states assume that the economic loss accruing from permanent total disability is greater than that from death. (See Table 54.)

In this connection the question of discriminatory treatment of alien nonresident dependents has occasioned considerable discussion. Under the old liability system the rule had become universal that such persons should have the same status as residents or citizens. With the enactment of workmen's compensation laws, discrimination became common. Approximately three-fifths of the states have provisions more or less discriminatory, and there is apparently an increasing tendency in this direction. Complete exclusion from participation in benefits, reduction in the amount of benefits, restriction of beneficiaries to persons of designated relationship, and destruction of the presumption of dependency are the methods of discrimination commonly practiced. In several states aliens are given the same status as residents or citizens; in many others they are included by implication or by administrative or court action. The most elementary principle of justice requires that, if

47. Award is increased 10 per cent for each dependent minor child, not to exceed 5.

48. Award is increased 5 per cent for each dependent minor child, not to exceed 5, and after payment for 260 weeks, compensation will be paid at the rate of 45 per cent of average weekly wages for life.

49. Award is increased 5 per cent for each dependent minor child, not to exceed 5, with maximum of \$20 weekly and total maximum amount of \$6250.

50. \$55 per month to widow with 2 children, plus \$5 for each additional child.

51. \$60 per month, if wife and 2 children, plus \$5 for each additional child, plus \$25 for constant attendant, if necessary.

52. Same as for permanent disability (see footnote 28) except \$5 per month additional during first 6 months.

53. \$30 per month to widow, plus \$5 for each child.

54. Payment for life if disability is over 85 per cent.

55. Amounts given are increased or decreased up to 15 per cent for employers or employees violating safety regulations—treble compensation for minors illegally employed.

56. Compensation allowed equals 4 times average annual wage, payable in installments of 50 per cent of average weekly wage, but total payment for death, plus disability compensation, may not exceed 70 per cent of weekly wage for periods ranging from 280 to 1000 weeks, depending on age. Additional compensation is allowed to dependent spouse with dependent children, according to age.

57. In addition to compensation, employee receiving rehabilitation instruction is paid cost of maintenance, maximum \$10 weekly, maximum period 20 weeks.

58. Plus 70 per cent of earnings for healing period. In case of permanent partial disability, not listed in schedule, maximum period is 1000 weeks.

59. \$180 per year to 1 child.

60. \$50 per month for widow, total \$3000. Plus \$180 per year for each child, total \$5000.

61. \$50 per month.

62. \$70 per month, plus \$180 per year for each child.

63. \$70 per month.

64. \$90 per month.

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American industries have been instrumental in causing the loss of the chief support of the family, dependents should be compensated without regard to nationality or residence.

• 7. *Systems of Insurance.* Practically all jurisdictions recognize that insurance of employers' liability to pay compensation is an indispensable element in a workmen's compensation system. This may be effected in one of three general ways; namely, through private insurance in either stock or mutual companies; by self-insurance, which simply requires proof of solvency with or without the giving of a bond or other evidence of security of payment; and through state funds, which may be either exclusive or competitive. Many states provide for the carrying of insurance in a state fund. In some states it is compulsory for all employers coming within the act to insure in this fund; in others insurance is permitted in private stock or mutual companies. Under the system of self-insurance the employer carries his own risk but is required to give proof of his financial solvency and ability to pay compensation. Mutual companies and state funds have proved the most satisfactory. Stock companies are operated for profit. They are interested in paying dividends to stockholders, their expenses are very high because of the cost of soliciting business and collecting premiums, and their savings in no way benefit the employers who are insured with them. This is especially true of the nonparticipating companies. Mutual companies are operated for the protection of policy holders who, as members, receive the benefits that accrue from operation. Because of their low cost of operation, mutual companies have been able to sell insurance at rates about 25 per cent lower than stock companies.

When the state becomes the sole insurance carrier, it classifies industries into groups according to hazard, fixes and collects premiums, adjudicates claims, and pays compensation. This system of insurance was introduced because it was realized that, since workmen's compensation laws impose an added burden upon the employer, the state should provide an economical means of insuring the risks involved. State funds are gaining favor because of their economy of operation, insignificant losses, and large savings. In Ohio it has been found that forty cents of every dollar collected by private insurance companies is absorbed by

overhead expenses, whereas the whole income of the state fund is devoted exclusively to the payment of compensation claims. From the standpoint of liberality, efficiency of administration, solvency, economy, and promptness of payments, state funds are superior. Hundreds of thousands of unpaid claims have resulted from the failure of stock companies, while not a cent has been lost through the insolvency of state funds.

8. *Administration.* The administration of workmen's compensation acts may be effected in one of two ways. There may be a central administrative board entrusted with the general powers of enforcing the law, or all questions and controversies arising under the statute may be left to the adjudication of the courts. The administrative board plan is undoubtedly superior. Only seven states adhere to the antiquated procedure of entrusting administration and decision to the courts. The courts are not equipped to administer such laws, and legal procedure is extremely slow and expensive. Investigation, review, and decision by expert and responsible administrative agencies are necessary to insure the injured workman his full rights under the law. Appeal to the courts is provided for in practically all jurisdictions, but usually only on questions of law.

9. *Accident Reporting and Prevention.* "Nothing is more striking in connection with the subject of accident reporting than its lack of uniformity," states a governmental study.⁸ Accident prevention has made astonishing progress in the United States, owing partly to the influence of workmen's compensation laws and the voluntary organization of safety movements by employers. Neither employers nor those responsible for the administration of workmen's compensation laws, however, have fully recognized the importance of complete reports showing causes, nature, severity, and costs of accidents. Yet such data are indispensable to safety engineering and the determination of fair and adequate insurance rates. Only twenty-five states, in July, 1938, called for reports of all accidents. Deficiencies in accident reporting are compensated to a certain extent where factory inspection is adequate and efficient. With the aid of such organizations as the National Safety Council

8. *Ibid.*, pp. 70, 71.

and the casualty companies, which have contributed much to the reduction of accidents, a desirable system of accident reporting should eventually be established in every state.

10. *Rehabilitation of the Disabled.* Rehabilitation of disabled workers is gradually being recognized as no less important than accident compensation. Restoration of earning power is the primary purpose of rehabilitation. Physical reconstruction through surgery, general re-education, technical training for specific vocations, and assistance in finding employment opportunities are the usual means adopted in restoring the injured employee to economic self-dependence. Beginning with Massachusetts in 1918, the majority of American states have enacted laws providing for the rehabilitation of disabled civilians. In 1920 Congress provided for federal aid to the extent of dollar-for-dollar expended by the several states on rehabilitation work. Under the recent grants made available through the Social Security Act, remarkable accomplishments are being registered in this direction through co-operation between compensation boards, educational authorities, and the federal government.

THE RISE OF HEALTH INSURANCE. In Chapter 12 a review of the health and medical needs of the worker led us to conclude that modern industry, together with the co-operation and aid of the government, should provide adequate medical care to all injured or ill employees, and should insure them against losses during such periods. Workmen's compensation has done much to protect the worker in this country against losses sustained through injury, but little has yet been done toward protecting him against the greater of these two losses, those suffered because of illness.

But experience in the United States, suppressed as it has been by the organized medical profession, does not reflect the status of the health insurance movement in other nations where great progress has been under way for many years. In fact this country stands now as the only leading civilized nation of the world whose government has failed to institute some extensive system of voluntary or compulsory health insurance for the direct benefit and protection of the workingman against

these common hazards of life.⁹ A brief glance at the German and English systems will indicate the methods of procedure adopted elsewhere toward this end.

1. *The German System.* The German system of health insurance dates back to the days of Bismarck. Originally instituted in 1883, it has since been modified several times and, in that nation at present, covers practically all wage earners with annual incomes of less than \$858, or about two-thirds of the gainfully employed population. Employers contribute one-third and employees two-thirds of the premium payments (which never total more than 6 per cent of the worker's wage) to a common health insurance fund. Illness insurance stamps are purchased by employers from the post office, and each week are attached to the insurance cards of the workers. These cards serve as evidence of the good standing of the insured. Benefits in case of illness include free medical attention, hospital treatment, medicaments, and appliances, such as spectacles, crutches, and artificial limbs for not only the workers but for dependent family members as well; maternity benefits for a period of four weeks before and from six to thirteen weeks after confinement; 50 per cent of wages after the fourth day of illness and extending for a total period of twenty-six weeks if necessary (with a maximum daily benefit of \$2.38); twenty to forty times the average wage as a funeral benefit; and a certain sum as a pension for the surviving widow and orphans. The administration of this system is in the hands of the National Insurance Office, which functions through sick-benefit associations controlled by joint committees of employers, employees, and disinterested citizens.

2. *The British Plan.* The Health Insurance Act of Great Britain, originally passed in 1911, was greatly modified in 1924 and has been amended several times since. This law includes all manual workers whose earnings are less than about \$1250 per annum.¹⁰ Other citizens

9. Among the most important countries having compulsory health insurance laws are Germany (including Austria, Czecho-Slovakia, and Poland), Great Britain, France, Russia, Rumania, Hungary, Norway, Bulgaria, Portugal, Greece, Japan, Chile, and Jugoslavia.

10. Amounts figured at par of exchange.

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may join as "voluntary contributors," but their premiums are reduced because they receive no medical benefits. A total of 18 cents a week is contributed on behalf of male workers, of which both the employer and the employee pay half. To these amounts the state adds a sum equal to one-seventh of the total. For women, 16 cents a week are contributed, of which the employer pays 9 cents and the female worker 8 cents. To the contributions on behalf of women the state adds a sum equivalent to one-fifth of the total. Payments into the health insurance fund are made through the employer, who buys insurance stamps at the post office and attaches them to the employee's card.

A male worker who is certified by a physician as "incapable of employment" on account of illness is entitled to \$3.65 a week, which begins after a three-day waiting period and continues, if necessary, for twenty-six weeks. For disability that extends beyond this period he receives \$1.84 a week so long as he is unable to work within any two-year period. The benefit for female workers is about \$3.00 a week, with the same extended disability benefit that men receive. Thus, flat premiums and uniform benefits are provided regardless of differences in wages. A married woman is entitled to approximately \$10 at confinement if she is an insured wage earner or the wife of an insured employee; if both husband and wife are employed, the maternity benefit is doubled.

All cash benefits are paid through the local officer of an approved society. Medical attendance is provided in cases of ordinary illness, and medicines and appliances are furnished without further cost to the worker. Hospitalization and other services are extended if and as the funds permit. Complaints may be filed against unsatisfactory medical service. The worker may choose his own health insurance society, and may insure with an approved commercial company, friendly benefit society, trade union, an establishment fund, or, if he is a deposit contributor belonging to no society, he can hold his own card and buy stamps at the post office. Central administration is vested in a division of the Ministry of Health. The British system is of immeasurable value to the workers, and now offers protection to almost 40 per cent of the nation's population.

A COMPULSORY HEALTH INSURANCE PROGRAM FOR THE UNITED STATES.

Compensation and Health Insurance

No such protection is offered the laborer upon a state-wide basis anywhere in the United States. Our study of the distribution of wealth and income has revealed that over fifty million Americans live in families whose incomes are less than \$1000 per year. Many of these, it will be recalled, reside in rural districts and are unable to buy needed food, shelter, and clothing, not to mention medical care, because of inadequate incomes. In California, during 1937, no fewer than 557,000 wage earners reported to the Social Security Board total earnings for the year of less than \$300 each. Impartial study of this problem has revealed that even the so-called middle class may find itself unable to take full advantage of medical facilities, owing to high costs or to inability to pay because of the sudden and unexpected appearance of illness. For the majority in the low income group, illness on the part of the wage earner soon means indigence and relief—even though independence is maintained during times of normal health. If these people receive the treatment which they need, extra burdens are bound to be thrust upon the agencies and individuals rendering medical services, since they must be rendered at lower cost or free of charge altogether.

This point needs further emphasis, for its understanding is fundamental to a full appreciation of the problem of medical costs. The need for medical services is unpredictable. No wage earner can tell in advance just how much medical care will be needed by the individual members of his family during the course of the coming year, nor just how much money will be needed to cover these costs of services and losses from illness. Because of the uncertainty of the cost and duration of illness periods, severe financial burdens are thrust unexpectedly upon the individual family under the present system of private practice. To families in higher income groups this does not ordinarily prove to be particularly disturbing. But to the family with an all too meager income, even during periods of health, these unexpected burdens upon the family budget easily lead to tragic results.

The average total annual cost of medical care of \$20-\$25 per year per person could be met without great hardship by the average family. But, unfortunately, few if any actually are privileged to bear these average costs under private medical practice. Instead, they must run the risk

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of encountering charges from zero up to or exceeding the family income for the entire year, unless some form of public medicine or health insurance is made available. The significance of this problem is emphasized by the fact that each year one family out of every 125, on the average, is called upon to meet annual medical charges alone in amounts equivalent to the entire family income for the year. This is not to mention the wage and other losses experienced during such periods.¹¹

Cost burdens to the patient under private practice are particularly significant, then, because such a large portion of the population is found within the lower income groups where family budgets cannot absorb the shock of a large unexpected charge for services. Caught in this circumstance, persons are often forced to go without medical care which is urgently needed and without which much loss of life and suffering is entailed. This is tragically illustrated by the findings of the California Medical Economic Survey. This study revealed that less than 50 per cent of those persons in families whose net family incomes are less than \$1000 annually actually receive the medical care they need, while 90 per cent of those in families with incomes of \$5000 or more are receiving the care they need. In terms of numbers of persons this suggests a staggering total who suffer in the face of plenty. No wonder that the health of our people leaves so much to be desired.

Most unprejudiced students of this problem believe that there is a basic remedy for the worker in America, too. If members of our population cannot secure medical services needed to preserve the nation's health and welfare because of the lack of facilities and prohibitive individual costs, then services must be made available to them under a state or nationwide program. While there is still much division of thought as to details of a constructive program, most informed scholars are agreed on several fundamental principles:

1. Public health services must be extended at public expense even beyond their present bounds for the benefit of all persons without further individual cost.

2. The medically indigent (those who can provide their own food, shel-

11. See Paul A. Dodd and E. F. Penrose, *Economic Aspects of Medical Services*, chap. v.

ter and clothing but who find payment for private medical services completely beyond their own financial capacities) must be extended services either through some program of public medicine or health insurance.

3. Those within the lower income groups (say in families whose total net family incomes range between \$300-\$3000 annually) must be helped to help themselves by means of the application of the age-old principle of insurance to the costs of illness.

Some honest minds believe that this third principle (the application of which promises to relieve by far the vast majority of the people of the nation) should be worked out upon a voluntary basis. Voluntary health insurance has witnessed praiseworthy development in some countries of the world. But its growth has been retarded in the United States, largely because of the increasing opposition of organized medicine to any significant change in the system of the private practice of medicine. It is difficult to believe that in the future it will become significantly more widespread than it has in the past. The last few years, however, have witnessed a departure from this traditional medical opposition, and for the first time in the history of American medicine the medical association of the state of California has actually placed in operation a state-wide voluntary health insurance plan. Under this plan workers and their families can pay into the association sums of approximately \$2.00 to \$2.50 per insured person per month and in return receive needed basic medical and hospitalization services.

Most students, however, agree that the problem of the cost and adequacy of medical care among American workers cannot be met successfully—so far as our present knowledge extends—until the principle of health insurance is adopted upon a mandatory basis in the form of a compulsory health insurance law. Such a law would have as its principal objective the extension, upon a state-wide or national scope, of all basic medical and dental services to large numbers of low income wage and salary earners and their families. If experience in the past has taught any valuable lessons, one is surely that those economic classes which need protection most against the losses of illness are usually the last to enter a voluntary health insurance plan. Thus, if actual protection against the hazards of sickness is afforded to the masses of population,

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the lower income groups must be required to insure themselves under the scheme. Only by compulsion is it possible to extend coverage to those who need protection, and to guard against the detrimental forces of high costs and unfavorable selectivity of risk. A compulsory health insurance plan offers these great advantages. At the same time it permits the inauguration of a flexible constructive health program which promises to do much in meeting the health needs of the people upon a pay-as-you-go basis.

Such a plan was introduced in the spring of 1939 before the California and New York State legislatures. Even though neither bill had been passed by 1940, public interest in the proposals has continued to be so widespread that the major features of one are deserving of special mention here.

As originally proposed in 1939, the program for California provided for the establishment of a compulsory health insurance plan to cover most wage earners whose earnings range from \$300 to \$3000 annually and their dependents. Approximately 3,800,000 persons within the state—54 per cent of the entire population—would be beneficiaries (insured) under the plan. Each employee coming within the scope of the act would contribute 1 per cent of his earnings as a health insurance premium. A 1 per cent pay-roll tax would be contributed by employers, and the state and/or the federal government would contribute the equivalent of another 1 per cent of the pay roll. This money would be placed into a health insurance fund, approximating \$70,000,000 annually. In case of illness any beneficiary might call in the services of any general practitioner of his own choice with whom he or the family has registered and receive all necessary general practitioner services without further cost. Major and minor surgery, specialist's services, X-ray diagnosis, laboratory treatment, hospitalization services, drugs, dentistry, and other care (obviously within the limits allowable under the fund) would also be extended without further charge both to the wage earner and family dependents who are beneficiaries under the program. An estimated \$17.50 per insured person (both wage earner and dependents—all beneficiaries) would be available yearly for the payment of medical services. Special maternity cash benefits and sickness wage benefits would also be

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provided. General practitioners would be paid for their services according to the number of insured persons under their care each year; specialists, surgeons, and hospitals, would be paid either upon a contractual basis or according to a fee schedule previously agreed upon.

The program would be impartially administered and closely coordinated with present social security agencies. Professional representatives would have ample voice in the administration of professional aspects of the plan. But representatives of the public, whose interest and welfare have been considered as paramount in the formulation of the proposal, would have the main voice in its economic and social phases. As nearly as can be predetermined, the members of the medical profession would not earn less, on the average, under this program than they now earn under private practice. Their fees would be reasonable and fair, their collections would be complete, and they would receive full payment for services rendered to the poorest patients just as quickly as from the most comfortably fixed beneficiaries.

This proposal represents a great step forward, and promises to do much in meeting the problems of health and happiness of the vast majority of wage-earning people if it is written upon the statute books. But it is by no means complete, and many thousands of people and many services will not come within the proposed law. No one realizes this better than the members of President Roosevelt's Technical Committee on Medical Care. Recently this body laid before the Congress the elements of a plan designed especially to meet the medical needs of the host of families in each state who probably would fall below the \$300 income level which has been suggested as the minimum for qualifying under the California compulsory health insurance system.

The newly proposed federal plan, known as the National Health Program, promises, if enacted into a national law, to aid substantially the action of individual states in meeting this problem. It would pursue five different lines of attack:

1. An expansion of general public health services (a) in public health organization and in the combating of specific diseases, and (b) in maternal and child health services.
2. Expansion of government hospital facilities, and the establishment of

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health clinics and centers in inaccessible regions where such facilities are now totally lacking.

3. Provision of a plan of medical care for the medically needy, thus enabling individual states to meet the pressing need which is now largely unmet.

4. The initiation of a general program of medical care along the lines of health insurance, to be financed (as suggested above) perhaps partly by general tax funds.

5. Insurance against wage losses during illness.

This National Health Program was crystallized into a federal bill introduced in 1939, but sufficient time has not elapsed to predict the outcome of either of these proposed programs. No one can successfully deny the need for some measure which will conserve the vast human resources of the nation, and thus contribute to the general health and welfare of its workers. Many feel that the programs outlined above represent the best known method of approach.

Questions for Class Discussion

1. What is the theory upon which workmen's compensation insurance is based? Why should the employer be called upon to share all the costs of industrial accident protection, or is he? Does he shoulder all these costs?

2. Contrast the old and modern theories of employer's liability.

3. Why are agricultural workers so often exempt from coverage under workmen's compensation insurance?

4. How do you account for the wide variations in the various state compensation laws? Can uniformity in these laws ever be attained? Is it desirable?

5. What are the advantages of an exclusive state fund for workmen's compensation insurance purposes? What are the advantages of covering these risks through private insurance companies? What are the chief evils or weaknesses of an exclusive state fund system? What type(s) of funds exist(s) in your state? Has the program been successful?

6. What is health insurance? Is it, or can it be, a genuine form of insurance?

7. Why is health insurance such an old principle in Europe and such a new one in the United States?

8. What practical difficulties do you suppose would be involved in the application of the British health insurance program to this country? Would as many problems be encountered in applying the German system in

America? Discuss the principal weaknesses of each system, as you understand the programs. Are these weaknesses inherent in the systems?

9. Distinguish carefully, in both theory and practice, between health insurance and socialized medicine. Between voluntary and compulsory health insurance. Which of these latter two systems has met with wider acceptance and application throughout the world? Why do you think this has been the case?

10. What facts relative to the cost and adequacy of medical care in the United States have been established by impartial study of the problem? How do you account for these conditions in the face of the great advances made by modern medical science?

11. Critically evaluate the health insurance program presented before the California legislature in 1939. Can you think of a more constructive way of meeting the problem of the nation's health? Outline a constructive health program for your own state and show how it might be co-ordinated with a national health program.

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Chapter 30

OTHER LABOR LEGISLATION

A. WAGE AND HOUR LAWS

¶ THE STATES AND CHILD LABOR. Our review of the problems incident to child labor presented in Chapter 14 emphasized the need of protective legislation for this portion of the population. In the United States, as in other advanced industrial nations of the world, child labor legislation is among the oldest forms of labor legislation. By the middle of the nineteenth century a number of American states had passed laws that limited the hours of labor for children under twelve or fourteen years of age to a maximum of ten or eleven a day. The arguments advanced in favor of these early statutes were that they would make it possible for children to enjoy greater educational opportunities, encourage better moral and religious training, prevent the disastrous competition of children with adult workers, and protect the health of children from the injurious effects of excessive hours of work under bad conditions. In some states only textile mills were regulated; in others all manufacturing establishments were included. But the vagueness of their provisions made these early statutes practically unenforceable.

Little real progress was made by the movement for the limitation of child labor until within the last few decades. Following the example of Illinois, which in 1903 introduced a maximum of eight hours a day for child laborers under sixteen years of age, all but a few states have adopted laws embodying this improved standard. There is a wide variation in the provisions of state laws. Although over half of the states have a satisfactory eight-hour day and a forty-four-hour week law for children under sixteen, the statutes of many states are deficient in that they

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allow numerous exceptions and exemptions. In a number of states the nine- or eleven-hour day is still permissible for activities which do not involve interstate commerce. Domestic service, agriculture, and fruit and vegetable canning are the occupations most frequently exempted, and exceptions are allowed in cases of "emergency," "dependency," and "poverty." Numerous abuses arise from these exceptions and exemptions. Surprising as it may seem, moreover, the majority of states do not regulate street trades, and in only a few is there any legislation regulating tenement homework. Generally speaking, southern states are much more backward than northern ones in the matter of child labor legislation.

The peculiarly injurious effects of night work and certain hazardous occupations have been recognized in the case of children. Practically all the states prohibit factory night work for children under sixteen, and a number of states advance the age to eighteen or twenty-one, the age limit being higher for girls than for boys. In many states the list of occupations included is greatly restricted and many exemptions are allowed. Besides prescribing a minimum age of fourteen for entrance into general factory work, many states make it illegal for children under sixteen to enter dangerous occupations, and some require an additional two years of maturity for employment in extra-hazardous occupations, such as work in mines, at blast furnaces, on railroads, or in the manufacture of explosives. In a large number of states children of fourteen may still be employed in many of these dangerous occupations. Night messenger service and other employments considered morally dangerous are illegal occupations for children, even up to eighteen or twenty-one in some states. In some instances state boards of health and state departments of labor may add to the list of extra-hazardous occupations.

In the majority of states minimum educational requirements must be completed before a child is permitted to enter industry. In a large number of these a child under sixteen must have completed the eighth grade before leaving school for a gainful occupation, but exceptions are often permitted under special circumstances, such as family need. Lower educational standards are set in other states, and in some there is no educational requirement. The tendency in progressive states is not only to

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compel completion of the eighth grade or its equivalent but also to require four to eight hours a week of continuation school work until the child is sixteen or eighteen years of age, unless the high school course has been completed prior to the specified age.

There is a growing conviction that physical development as well as age should be recognized in determining a child's qualification for employment. This partly explains why the fourteen-year limit has been so generally established for child workers, especially for factory work. Although there is no standardization of the qualities of physical fitness, many states require a certificate of sound health as a condition for a child's entrance into an occupation. But a number do not take this wise precaution, and even in states that do the physical examination is often totally inadequate, sometimes purely perfunctory.

As a means of discouraging illegal employment of children, some states deprive employers of the common law defenses of assumption of risk and contributory negligence in case of damage suits for accidental injury to child workers. The workmen's compensation laws of some states provide that in case a minor is injured while illegally employed, his compensation shall be double or treble the normal amount.

DIFFICULTIES OF ADMINISTRATION AND ENFORCEMENT. American experience with child labor legislation has demonstrated conclusively that statutes are practically worthless unless there is adequate provision for effective enforcement. The responsibility of administration and enforcement is usually entrusted to state departments of labor, school authorities, and child welfare commissions. The actual work of enforcement is invariably in the hands of factory inspectors. The failure of child labor laws is in no small measure due to inadequate or inefficient factory inspection. Comparatively few states have developed satisfactory standards in this particular. In some states there is no provision for the issuance of employment certificates, but dependence is placed upon parents who are required to sign an affidavit to the effect that the child has reached the legally employable age. This system has encouraged falsification. It is much better to require employment certificates and have them issued by school officials, since such persons are quite likely to encourage continuation in school rather than premature employment. Compulsory

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school attendance laws and child labor laws naturally dovetail each other. The best results have been obtained when employment certificate blanks have been standardized, frequent reports required, and special officers appointed to aid busy school executives in issuing employment certificates. Close co-operation between child labor inspectors and the schools is indispensable to the protection of children's interests.

FEDERAL LEGISLATION. This lack of uniformity in state laws governing the employment of children has been criticized severely. Opponents of state legislation have contended that certain industries in states having progressive child labor laws inevitably suffer in competition with manufacturers producing goods in states either where there are no statutory limitations or where the law is not enforced. Education and publicity have done much to introduce the desired uniformity, but these methods of reform are necessarily slow. Backward states are reluctant to adopt progressive measures, on the grounds that they do not wish to discourage the development of new industries or drive from their boundaries those which have been developed. The only alternative, therefore, would seem to be the enactment of a federal law. The convenience, economy, and effectiveness of a uniform law and centralized administration are apparent. Such uniform control has already proved beneficial and effective in the regulation of interstate trade.

During the early part of the twentieth century numerous efforts were made to secure passage of legislation toward this end, but it was not until 1916 that Congress enacted a federal child labor law. The United States Child Labor Law of 1916 became effective September 1, 1917. This act extended a period of one year to employers in which to make readjustments necessitated by its provisions. Under its terms, Congress prohibited the shipment in foreign and interstate commerce of those goods produced in factories and canneries which, within thirty days preceding the removal of such goods, had employed children under fourteen years of age, or children between the ages of fourteen and sixteen for more than eight hours in any day or six days in any week, or after the hour of 7 P. M. and before 6 A. M. The same restrictions were imposed on any article produced by any mine or quarry in the United States employing children under sixteen years of age. Although this

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statute was welcomed by the friends of federal legislation, its provisions were considered inadequate since it was estimated that 85 per cent of the working children of the United States were in industries not covered by this law, namely in agricultural pursuits, mercantile establishments, offices, and numerous street trades.

Southern cotton-mill owners had bitterly opposed the law, so it was not strange that one day before the act was scheduled to become effective a permanent injunction was secured restraining its enforcement in the Western District of North Carolina. The petitioner for the restraining order was a poor cotton-mill worker, who asked not to be deprived of the wages of his two boys. Despite his poverty, he was represented by several attorneys. On June 3, 1918, the Supreme Court of the United States handed down a decision declaring the federal statute unconstitutional on the ground that the interstate commerce clause of the act could not be invoked to prevent child labor within the respective states.¹ Four of the nine judges dissented, but the court was unanimous in the opinion that child labor is an evil and that civilized countries must put limitations on the right to employ children in mines and factories. It was necessary, however, to find a method of national control which would not be in conflict with the limitation imposed by the Federal Constitution. The immediate effect of the decision was that in states where child labor standards were lower than those imposed by the federal law the longer working day for children under sixteen was restored, and the number of working children increased.²

In an attempt to circumvent constitutional hindrances and to achieve the same end as the earlier statute, the taxing power of the federal government was invoked in the form of the Child Labor Tax Act of 1919. This revenue act, approved February 24, 1919, provided for an excise tax on the products of child labor. The essential features of the new law corresponded to those embodied in the act of 1916, except that the new measure, instead of prohibiting the shipment in interstate commerce of those goods enumerated, imposed an excise of 10 per cent on the net profits of mines, quarries, mills, canneries, workshops, fac-

1. *Hammer v. Dagenhart*, 247 U.S. 251, 38 Sup. Ct. 529 (1918).

2. U. S. Children's Bureau, *Seventh Annual Report*, 1919, pp. 21, 22.

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tories, or manufacturing establishments employing children in violation of the conditions laid down.

The use of the taxing power of the federal government for the purpose of protecting children seemed valid and legitimate. But Judge James E. Boyd, of the Western District of North Carolina, whose decision against the earlier federal statute was sustained by the Supreme Court of the United States, rendered a similar decision on August 22, 1921, with regard to the new measure. He held the statute unconstitutional as an attempted interference with the right of the states to regulate labor within their respective boundaries, and pointed out that the only difference between the two laws was the tax of 10 per cent on the net profits of the entire product of the establishments involved. The case was taken immediately to the Supreme Court of the United States which, in May, 1922, declared the law unconstitutional, as an invalid attempt by Congress to regulate through its taxing power something entirely within the jurisdiction of the several states in the exercise of their police powers.³

The nullification of these federal laws by judicial decision resulted in an effort on the part of the friends of child workers to secure an amendment to the Federal Constitution. Consequently there was drawn up an amendment giving Congress the power to prohibit and regulate the labor of children under eighteen years of age. This measure was passed by Congress in 1924, but to become effective it must be ratified by three-fourths of the states. The cry of "socialism," "destruction of state rights," and "federal domination of education" have been among the traditional objections revived to help defeat ratification. Only six states took favorable action in ratifying the amendment during the first eight years following 1924. By July 1, 1939, however, this number had increased to twenty-eight, thus making it necessary for only eight more states to approve it before the amendment becomes law. The cause of this amendment was strengthened on June 5, 1939, when the Supreme Court of the United States ruled that Congress alone has the power to determine how long a proposal to amend the Constitution is subject to ratification. Since no time limit for ratification has been placed

3. *Bailey v. Drexel Furniture Company*, 259 U.S. 20, 42 Sup. Ct. 449 (1922).

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on the amendment by Congress it is possible under this ruling for additional states to act favorably, or even to reverse their previous unfavorable action.⁴

The cause of federal regulation of child labor has also been promoted under Section 12 of the Fair Labor Standards Act of 1938, which provides that no producer, manufacturer, or dealer shall ship or deliver for shipment into interstate commerce any goods produced by "oppressive child labor."⁵

PROTECTIVE LEGISLATION FOR WOMEN. The movement for the legal protection of women workers developed almost contemporaneously with the movement for the protection of children, and in many instances the same legislation has been made applicable to both of these groups of workers. Laws limiting the hours of employment were most prominent among the early protective measures for women. In the decades preceding 1879 several states in which the textile industries prevailed passed ten-hour laws, but these were for the most part unenforceable. It was not until 1879, in Massachusetts, that an effective type of law was provided. Similar measures were adopted by other states from time to time, and in 1908 the movement was given impetus by the action of the United States Supreme Court in sustaining the Oregon ten-hour law for women.

By the beginning of 1940 there were only four states in the union—Alabama, Florida, Iowa, and West Virginia—that had no law regulating the hours of work for women. Indiana had only one limitation, namely, the prohibition of women's employment at night in manufacturing industries. The states of Georgia, North Carolina, and South Carolina had limited the hours of work for women in only one industry—textile manufacturing. Other states had either definitely forbidden the employment of women for more than a certain number of hours per day or week, or had penalized employment beyond certain specified hours by providing that it must be paid for at overtime rates.

The eight-hour day has been established for women in fourteen states, but the number of industries or occupations covered by these

4. *Coleman v. Miller*, 59 Sup. Ct. 972 (1939).

5. For a definition of oppressive child labor, see Section 3 (e) of the act.

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laws varies greatly. California has the most inclusive legislation. Either specifically through the act of the legislature or by the various orders of the State Industrial Welfare Commission, California has limited to eight a day the hours of work for women in practically all industries except agriculture and domestic service. Although several states in this progressive group allow only a forty-four- or forty-eight-hour week, the legal working week ranges from forty-eight to sixty in many others, depending upon the industry or occupation.

Of the remaining states, one provides for a working day of eight and one-half hours in specified industries and occupations, sixteen have a nine-hour limit, ten place the limit at ten hours, while five states set no hour restrictions. Some states have varying hours for different industries, hence they are included in more than one classification. It is still legal for women to work eleven hours a day and sixty hours a week in the textile factories of North Carolina and twelve hours a day in the mercantile establishments of South Carolina. The weekly legal limit exceeds forty-eight hours in all states except the few previously enumerated in this category. Generally the states having laws establishing the shortest working day and week are also the states that bring the greatest number of industries and occupations under the provisions of the law.

One of the greatest deficiencies in the laws governing the employment of women is that many states which have laws limiting the total number of hours a woman may work per day or per week have not provided for any breaks in her employment. In some states, however, such matters have been regulated by the industrial commission or the industrial welfare commission. Night work for women in certain industries and occupations is sometimes prohibited, although in several states only one or at most a few industries and occupations are covered, such as manufacturing and mercantile establishments. The most common period during which night work is prohibited is from 10 P. M. to 6 A. M. The longest period is from 6 P. M. to 6 A. M., in the textile manufacturing plants of Massachusetts.

About one-fourth of the states have laws either prohibiting or regulating homework. As already indicated, women form a very large pro-

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portion of all homeworkers. Seventeen states have prohibited certain forms of homework, such as the manufacture of clothing, trimmings, and tobacco products, for all except the immediate members of a family. Invariably certain requirements must be met by anyone doing homework, even the immediate members of the family. In general these requirements have to do with cleanliness, adequate lighting and ventilation, and freedom from infectious and contagious disease.

MINIMUM WAGE LAWS. Among the most recent extensions of the principle of protective legislation is the legal minimum wage, which, by specifying minimum standards of pay for certain groups of workers, seeks to protect the health and welfare of those workers, equalize the bargaining power of employers and employees covered by the laws, and promote social welfare and progress. These laws are usually made applicable to women and minors and other low-skilled and unskilled workers. With such workers the organization of labor and collective bargaining have made little progress, and the keenness of competition among them has resulted in the depression of wage scales to a sub-standard equivalent to the bargaining power of the weakest bargainer. In a very real sense, therefore, the state intervenes to secure for these workers the full competitive rate of wages.

Minimum wage legislation originated in Australia. Its rudiments are found in the district conciliation boards of New Zealand, established in 1894, for the compulsory arbitration of labor disputes. In addition to maintaining industrial peace, these boards were authorized to prevent sweating by fixing minimum wages for underpaid workers. The first independent minimum wage law, however, was passed in the Australasian state of Victoria in 1896 and was secured through the efforts of the Anti-Sweating League in an attempt to crush sweatshop industries. Since then other Australasian states have enacted similar laws, some of which have gone so far as to introduce the principle of minimum family allowances. The movement has spread also to other countries, including Great Britain, most of the Canadian provinces, Argentina, Uruguay, and South Africa.⁶

6. For a summary of development in other countries see John R. Commons and J. B. Andrews, *Principles of Labor Legislation*, pp. 200, 201.

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Massachusetts was the first American state to pass a minimum wage law. This measure, enacted in 1912, was the result of recommendations of an investigating commission that had been appointed in 1911. Between 1912 and 1940 many new laws were passed. By January, 1940, minimum rates were in effect in twenty-two states, the District of Columbia, and Puerto Rico, and were serving to protect over a million women workers. As we have seen above, these rates established under the laws vary by state and industry, but a significant fact is that 87 per cent of those rates set for women employed in industry exceeded the 25 cent per hour minimum established during the first year of the application of the Fair Labor Standards Act of 1938.⁷

Minimum wage laws in the United States, except for the federal Fair Labor Standards Act, protect only women and children against sweating, whereas in other countries all sweated workers are coming under the protection of the law. This can be accounted for by the fact that labor organizations in the United States have opposed unequivocally minimum wage laws for men, on the ground that organized male workers can secure better standards of wages, hours, and conditions through organization and collective bargaining than by legislation.

The standards and methods of procedure followed in the administration of minimum wage laws vary, but some general principles are found even in the United States where there are several different laws. The fundamental purpose is to pay a living wage, which is commonly interpreted as the amount of income sufficient to maintain self-supporting women in reasonable comfort, physical welfare, decency, and moral well-being. Experience indicates that with few exceptions the actual wage standards set under these laws have been somewhat above what they would have been in the absence of legal regulation but below what investigations disclose is a living wage.

The wage may be a minimum flat rate fixed by law for specified industries or occupations, as in South Dakota, or it may be a minimum rate more or less flexible, determined by boards or commissions with power to make investigations as a guide to wage determinations, as in

7. Cf. U. S. Department of Labor, *State Minimum Wage Laws and Orders*, Women's Bureau, Bulletin no. 167, 1939, p. 2.

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Massachusetts. Voluntary wage or trade boards acting in an advisory capacity are usually appointed by the state minimum wage board or commission or by some other authority in charge of the administration of the law. These advisory boards consist of representatives of the employers and the employees concerned in the adjustment, and of the public. Their deliberations are based upon information gathered by the state commission. The wage finally fixed by these advisory bodies is usually a compromise between the representatives of employers and employees, but their decision is often subject to the endorsement of the state board, and an appeal may be had to the court before the rate is put into effect.

Wages fixed by statute have seldom been adjusted to changes in prices and the cost of living. The rate set by the Oklahoma act is as low as \$8.00 a week for certain types of inexperienced help, while in South Dakota a minimum of \$12 a week is set for women and girls in a number of industries. It is highly desirable that the rate be a flexible one determined by wage boards or commissions in accordance with the prevailing cost of living and other conditions. The awards of the boards or commissions are mandatory in all states except Massachusetts, where publicity and public opinion are relied upon for enforcement. The highest wages set in any of these awards are \$18 a week for female workers and \$20 a week for males in specified industries in Oklahoma.

In fixing wage standards the boards in such states as California, Oregon, Washington, and Massachusetts take cognizance of the regularity of employment, and allow a slightly higher wage for seasonal or irregular employments. This encourages the employer to regularize production. Provisions are also made for substandard workers, such as the physically and mentally defective, young workers, apprentices, and inexperienced workers, who normally cannot earn the minimum. To avoid the substitution of minors and inexperienced workers for adults and the abuse of the apprenticeship system, it has been found necessary to provide a progressive wage for apprentices and the inexperienced, and to fix definitely the period for learning a trade and the maximum proportion of apprentices to the number of workers in the establishment. Special licenses are granted to permit the employment of infirm

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and slow workers unable to earn the prescribed minimum, but care is exercised to limit the proportion of such workers that may be employed in any one establishment.

LEGAL REGULATION OF HOURS FOR MEN. Such state legislation that has been enacted for the protection of male workers has been almost exclusively devoted to regulating hours of work rather than wages. We have seen above that the solution of the problem of hours obviously cannot be left to the voluntary efforts of employers or to members within the labor movement. Legal regulation has been imperative, especially for women and children. In contrast with the encouraging development of legislation for women and children is the relatively slight legal restriction upon hours of employment for adult male workers. This situation has been attributable to the policy of organized labor in preferring to reduce hours through collective bargaining, the uncertain attitude of the courts, and the lethargy of public opinion.

Legislation governing the hours of work for men has been, in times past, limited mostly to public works and transportation, although mines, smelters, and certain other industries that are deemed dangerous and unhealthful have been brought within legal control. In determining hours of employment on public works the government acts in the capacity of an employer. In 1840 President Van Buren issued an executive order limiting the hours of work to ten a day in government navy yards, and in 1868 a law was passed providing an eight-hour day for all laborers, workmen, and mechanics employed by the United States government. The failure of the latter measure to prevent agreements for overtime led to the enactment of another statute in 1892, which provided penalties for violations. The effectiveness of this law was limited, however, by the action of the courts and the Attorney General in holding that government work let out to private contractors was not covered by its provisions.

It was not until 1912 that a more satisfactory law was enacted, which specified that an eight-hour clause shall be inserted in all contracts made by the federal government and involving the employment of laborers and mechanics. Exceptions were allowed in cases of emergency, for contracts involving transportation by land or water, and for certain other

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circumstances. Under the Walsh-Healey Act (1936) the hours of labor under government contracts have been limited to eight per day and forty per week. Other federal employees, including post-office workers, have been given the eight-hour day, and there are also provisions in government contracts that preclude speeding up of workmen and the use of "stop watch" methods. Numerous states and municipalities have followed the example of the federal government in providing a legal eight-hour day for their employees.

Because of the dangers to health and life involved in mining, smelting, the refining of ores and metals, and related occupations, many states have limited the workday to eight hours in these industries. Such states as New York, New Jersey, and Pennsylvania have taken the significant step of attempting to regulate hours of labor under compressed air according to the degree of danger involved, so that the higher the air pressure the shorter is the workday. The close relation that exists between transportation and the public safety has resulted in action by the federal government and most of the states in regulating the hours of work for employees on steam railways. Many states make similar limitations for employees on street railways. In 1916 the Adamson Law was enacted by Congress to avert a national tie-up of the railroads at a critical period. This law provides for a basic eight-hour day for railroad trainmen, but is in reality a wage measure. By a federal statute passed in 1915 and amended in 1936, the hours of labor for deck officers on ships are limited to nine while in port; those of seamen are limited to eight during any twenty-four-hour period while at sea or in port, except in emergencies. A number of states have legal limitations on hours of labor for adult males in one or more employments in factories and workshops, including such establishments as electrical plants, plaster and cement mills, saw- and planing-mills, drug and grocery stores.

Two states, Mississippi (in 1912) and Oregon (in 1913), enacted laws limiting the working day to ten hours for all classes of workers in general manufacturing establishments, and in 1915 North Carolina enacted an eleven-hour law for such enterprises. In each state exceptions are allowed in emergencies. Three hours of overtime in emer-

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gencies, at the increased rate of time and one-half, were allowed under the 1913 Oregon law. The Mississippi act was amended in 1924 to provide a fifty-five-hour weekly limit. In 1923 Oregon passed an eight-hour law that was not to become effective until similar legislation was adopted by adjoining states. More recently (1936) South Carolina passed a law establishing a maximum eight-hour day and a forty-hour week for all textile mill employees, but this law, like the earlier Oregon law, does not become effective until the same restrictions are imposed upon textile workers in Georgia and North Carolina also.

During 1937 six states legislated on the subject of work for both men and women, but only two new state laws restricting the hours of male labor were passed, one in North Carolina and the other in Pennsylvania.⁸ The North Carolina law limits the labor of men in certain industries to ten hours a day and fifty-five hours a week. The Pennsylvania statute establishes as a maximum the forty-four hour week of not more than five and one-half days, with a maximum of eight hours per day, but excludes agricultural labor, domestic servants, and certain professional workers. By the beginning of 1938 various restrictions had been placed upon the hours of laborers in forty-two states of the union, but with the exception of North Carolina and Pennsylvania the groups covered are greatly limited by the specific inclusions made by the laws.⁹ Thus by constitutional provision or by statute most of the states by the end of 1937 declared for either an eight- or a ten-hour day in the absence of specific contracts or agreements, but these have no influence since they are merely statements of a general principle without specific application.

In 1933 a special session of Congress seriously considered the merits of a measure (the Black bill) which, if passed, would have prohibited workers whose products entered interstate commerce from working more than 30 hours in a work week of not more than five days. Although this bill was not passed, the shorter week received what may

8. U. S. Bureau of Labor Statistics, *Hours of Labor*, Bulletin no. 654, Washington, 1938, p. 3.

9. See "Hours of Work Provided in Collective Agreements in 1937," *Monthly Labor Review*, vol. 46, February, 1938, pp. 462-6.

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be said to be its greatest impetus later in the same year when the National Industrial Recovery Act became a law. This law definitely influenced the hours of labor of the American workman in that the prevalent basic standard work week at last became the forty-hour week, in contrast to the forty-four, forty-eight, and fifty-four hour standards theretofore general, and served as a foundation for the permanent establishment of the shorter work week. In 1937 the Walsh-Healey Public Contracts Act, requiring all companies doing work under government contract to enforce the eight-hour day and the forty-hour week, aided in perpetuating in certain enterprises the standards of the "blue eagle" after the United State Supreme Court had declared the NRA unconstitutional. In 1938 the Fair Labor Standards Act brought protection to an additional 1,500,000 workers who were found to be working long hours or for inadequate wages.

In the interests of health and public safety, rest periods are sometimes required by law for male workers. Thus, for example, rest periods of a certain length between runs are stipulated for railroad trainmen, and intervals of rest and work are specified for tunnel laborers who work in compressed air. Thus far the United States has no legislation limiting the hours of employment for men at night. Moreover, laws providing for Saturday afternoon off and those creating legal holidays are not effectively enforced, but, as already indicated, Saturday afternoon half-holiday and legal holidays are an established practice for clerical employees.

Before the rise of modern industrialism "blue laws" were passed in an effort to prevent Sunday labor and to assure the sanctity of that day. Most of these laws are ineffective because of inadequate provisions for enforcement. Under modern industrial conditions, moreover, Sunday labor is necessary in continuous industries, such as telephone and telegraph lines, heat, light and power plants, and the manufacture of steel. Because of the nature of their functions these and many other industries operate on the continuous shift system. Seven-day operations are thus often a necessity; the real problem is found in the practice of compelling the laborer to work seven days. What is needed, therefore, is a law compelling employers to give their employees at least one day of

rest in seven. The federal government and several states have adopted such a measure, especially for their own employees. The federal law, however, applies only to post-office employees.¹⁰ State laws applying to private enterprises are limited in scope and are more or less ineffective because of the exceptions in numerous cases of emergency. Laws requiring annual vacations in the United States cover only public employments, but the practice is being extended voluntarily by an increasing number of employers.

THE FAIR LABOR STANDARDS ACT OF 1938. Minimum wages and maximum hour legislation enacted by individual states, we have observed, has been devoted to the protection of women and minors, or to the protection of male workers in certain extra-hazardous occupations. The national government, after having marked time during many of the years of these developments, finally entered this phase of social legislation on June 25, 1938, when the Fair Labor Standards Act of 1938 (better known as the Wage and Hour Act) became a law, to become effective 120 days later.¹¹ This law established fair standards for certain groups of employees throughout the country who are engaged in industries affected with interstate commerce.

Section 6 of the act provides that all employers shall pay to each of their respective employees who is engaged in the production or distribution of goods entering interstate commerce wages at the following rates:

1. During the first year from the effective date of this section (October 24, 1938) wages at the rate of not less than 25 cents per hour.
2. During the next six years from such date not less than 30 cents per hour.
3. After the expiration of seven years from such date, not less than 40 cents per hour, or the rate (not less than 30 cents per hour) prescribed in the applicable order of the Administrator of the act.
4. At any time after the effective date, not less than the rate (not in excess of 40 cents an hour) as prescribed by the Administrator.

10. United States Laws (1911-1922), C. 389, Sec. 5.

11. The only change in this law made during 1939 by the 76th Congress was the exemption of switchboard operators employed in public telephone exchanges having less than 500 stations. Amendments proposed in 1940 failed to be enacted.

Section 7 provides that no employer subject to the law shall employ any of his workers (1) for a work week of more than forty-four hours during the first year (to October 24, 1939); (2) for a work week longer than forty-two hours during the second year; or (3) for a work week of more than forty hours after the second year, unless such worker receives overtime compensation at a rate of at least one and one-half times the regular rate at which he is employed. No violation of the law is considered to have taken place if an employee works under a labor agreement, or for a period or periods of not more than a total of fourteen work weeks in any calendar year in an industry found to be seasonal in character.

As has been noted above, Section 12 prohibits the interstate transportation of products manufactured by child labor (usually sixteen years of age or less). Other divisions of the act establish facilities for administering its provisions; provide for investigations, inspections, court review; and set penalties for violation. There is also established a list of exemptions, the most important of which include employers engaged in intrastate commerce, railway workers, fishing and agricultural workers, and certain other less important industries.

Under Section 5 the administrator has been charged with the responsibility of appointing "industry committees," composed of an equal number of employer, employee, and public representatives. The major duties of these committees are confined to recommending for their respective industries rates which are higher than the minimum rates established under the law. During the first year of the application of the law industry committees in textiles, wool, apparel, hosiery, hats, millinery, shoes, knitted underwear, and knitted outerwear had been created, and several of these had made wage recommendations which were put into force by the administrator. For instance, the textile committee on May 22, 1939, by a vote of 13 to 6, recommended a 32½ cent minimum wage for the entire industry. After public hearings the administrator approved this minimum wage and ruled that it was to become effective in October, 1939.¹² Experience with these committees, at least during the early

12. Elmer F. Andrews, "One Year of the Fair Labor Standards Act," *Labor Information Bulletin*, U. S. Bureau of Labor Statistics, vol. vi, October, 1939, p. 5.

years of the act, has amply demonstrated their value in making painstaking analyses of all economic and competitive factors before setting forth recommendations and rulings.

EVALUATION OF MINIMUM WAGE LAWS. Minimum wage laws have been criticized for the following reasons. With the exception of the Fair Labor Standards Act, they apply only to women and minors. All of them are said to be an attempted contravention of the free play of economic forces in wage determination and cannot therefore be relied upon to improve the wage standard of any group. Serious injury is said to be experienced by employers in progressive states where state laws are enacted because these employers have to compete with the more cheaply produced goods of industries in states not having such laws. Legal regulation of wages, it is contended, tends to discourage labor organizations because the workers will not give financial support to the labor movement when they can secure the same ends without expense, through the medium of law. It is urged that the minimum wage becomes the maximum and results in economic injury to those whom it is designed to benefit. Finally, minimum wage laws are said to put a premium upon inefficiency, since workers are assured a minimum wage regardless of output.

Experience in every country indicates that only to a limited extent have these ill effects resulted from the enactment and application of minimum wage legislation and that opposite tendencies have been much more in evidence. In Australasia and Great Britain an increasing number of occupations are being brought within the operation of these laws, and the results have warranted this extension. Exhaustive investigations of their operation in the United States have disclosed the fact that minimum wage laws in this country are functioning quite satisfactorily. The income of the workers covered by these laws has been largely increased as a whole. "The laws have had a large beneficial effect not only in supplying the actual necessities of the workers, but in transferring entire industries from a makeshift parasitic basis to one of self-support, making them an economic asset to the community instead of a burden."¹³ The rates applied have not been so high as to

13. Lindley D. Clark, "Minimum Wage Laws in the United States," *Monthly*

bar women from employment and to attract men, as was feared by many persons who opposed the laws. Reduction in child labor has resulted, but this is an effect desired by all except the unscrupulous sweatshop operator.

For many years trade unionists feared that employers would take on learners and discharge employees who reached the stage of experience when increased pay became necessary, thus evading the law in spirit while obeying it in form. This evasion is prevented by control of learners' licenses and the limitation of apprentices to a definite proportion of the total number of women and girls employed in the establishment. The number of employers who express opposition to the laws is negligible, though, as we have previously noted, there are still some who denounce them vigorously. Many employers praise the results as beneficial to their own business and to the women employed. Especially is this true of the federal legislation under which relatively uniform standards are being established. Employees have found in these laws a source of great protection and benefit, and organized labor now promotes such legislation for men as well as for women and minors. Allegations of injury to the workers have proved false. "Not only have these laws secured . . . increased pay in large aggregate amounts, but they have at the same time standardized competitive conditions in the locality and largely done away with the secrecy that many employers have practiced as to individual rates, by which unwarranted discriminations have been made possible inside their establishments—results of great value from moral and economic standpoints."¹⁴

Minimum wage laws in the United States are far from perfect. Their administration is still largely in the experimental stage, and many improvements have been suggested. Employee representatives on wage and industry boards must be given fuller protection from discrimination on account of their testimony and activities in wage adjustments. More adequate provision must be made for wages in seasonal and irregular employment. Stricter licensing of substandard workers and

Labor Review, vol. 12, March, 1921, p. 500. See also *The Development of Minimum Wage Laws in the United States, 1912-1927*, U. S. Women's Bureau, Bulletin no. 61.

14. Clark, *op. cit.*, p. 504.

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more careful grading of these workers as to age and experience, with a fixed minimum below which their wages shall not fall, are necessary in order to avoid circumvention of the purposes of the laws. There must be more scrupulous control of the proportion of apprentices to adult workers and the provision of a progressive wage scale for learners according to time of service and efficiency. The adoption of more flexible wage standards to permit rapid adjustment of wages to changes in the cost of living will prove beneficial. There should be centralization of administrative control in the hands of minimum wage commissions, thus relieving overburdened industrial commissions. Regular regional conferences of representatives of minimum wage commissions in neighboring states, with a view to standardization of wage scales for the same industries, would undoubtedly result in marked improvement. There must be more adequate rules for applying the rates of wages to the actual conditions of industrial life along the lines now being established by the industrial committees under the Fair Labor Standards Act. A more enlightened public opinion and fuller representation of the public on advisory boards would do much to assure justice and progress.

B. LAWS RELATING TO IMMIGRATION AND CONVICT LABOR

CONTROL OF IMMIGRATION. Although the first general immigration act of the United States was not passed until 1882, opposition to immigration crystallized in the early years of our national history. Washington, John Adams, and other early American statesmen were opposed to the uncontrolled influx of aliens, a fact that undoubtedly accounts for the qualifications prescribed for membership in either house of Congress and for the presidency. Prior to 1861, however, regulation was left to the states, although the federal government passed a law in 1819 for the purpose of providing greater comfort and convenience for steerage passengers en route to this country.

Conditions incident to the Civil War caused a complete change in public sentiment concerning immigration. In 1864 Congress passed a law to encourage immigration as a means of filling the vacancies of the

million and a quarter employees who had left industry for military service. Under the provisions of this act the office of the Commissioner of Immigration was created in the State Department, and immigrants were permitted to pledge under contract not more than one year of service in payment for passage, but servitude was forbidden. This law proved unsatisfactory and was repealed in 1868, leaving the states to meet the problem in their own way. State control proved inadequate, however, and there was a strong movement for federal regulation, culminating in the decision of the United States Supreme Court in 1876, which declared state regulation of immigration unconstitutional.

For the next twenty years or so Congress gave its attention chiefly to the problem of excluding physical, moral, and mental undesirables, that is, the feeble-minded, insane, prostitutes, criminals, and paupers. The act of 1885, however, prohibited the importation of contract laborers, and later laws provided for the deportation of workers brought in in violation of this provision. Under the act of 1891 the solicitation or encouragement of immigration by promising employment through advertisements in foreign countries was forbidden, the office of Superintendent of Immigration was created, and administrative powers formerly delegated to the states were now transferred to federal departments. The law provided, moreover, for the inspection of vessels carrying immigrants and for the examination of immigrants on the borders of Canada and Mexico, and required transportation companies bringing in legally inadmissible aliens to bear the expense of returning such persons to the ports of embarkation. The industrial depression of 1893 led to agitation for further restriction of immigration; but, except for an amendment to an appropriation act in 1894 raising the head tax on immigrants from fifty cents to one dollar, no further legislation was passed until 1903. A bill adopted by both houses of Congress providing for an educational test of immigrants was vetoed by President Cleveland on March 2, 1897.

During the next few decades the most important developments had to do with the creation of machinery for administering immigration laws. In 1903 the recommendations of the United States Industrial Commission were embodied in an improved law, the Department of Com-

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merce and Labor was created, and the office of Commissioner General of Immigration was placed in this department. The act of 1907 increased the head tax to four dollars, more stringently regulated steerage conditions, empowered the president to exclude any aliens whose presence might affect employment conditions adversely, and created the United States Immigration Commission, whose investigations, published in 1911, constituted the most authentic source of information on this subject.

In 1913 President Taft vetoed a bill which provided a literacy test for immigrants. A similar measure was vetoed twice by President Wilson, once in 1915 and again in 1916, but in the last instance the required two-thirds vote was secured in both houses and Congress passed the bill over the president's veto. It became a law on February 5, 1917. Persons over sixteen years of age who were physically capable of reading were excluded if they could not read some language, but exceptions were made in the case of near relatives of admissible aliens and those seeking admission to escape religious persecution. President Wilson objected to the measure on the grounds that it embodied a radical departure from the traditional policy of the nation in almost destroying the right of political asylum and in excluding those who had missed the opportunity of education, without regard to their character or capacity. He also held that the bill did not represent the will of the people. The 1917 law increased the head tax to eight dollars, payable by every alien entering the United States, except children under sixteen years of age accompanying their parents. This law did not prove very effective in limiting immigration.

A NEW POLICY IN IMMIGRANT LEGISLATION. A new type of immigration legislation was introduced in 1921, when a percentage, or quota, law was passed, which provided that the number of admissible aliens of any nationality entering the United States in any year should not exceed 3 per cent of the total number of foreign-born persons of such nationality already resident in this country, as determined by the census of 1910. This law was enacted as a temporary measure to restrict immigration during the economic readjustments of the postwar period. Meanwhile public sentiment demanded an even more stringent limita-

tion, and in 1924 a new act was passed that restricted the number of admissible immigrant aliens to 2 per cent of each nationality resident in the United States in 1890, as determined by the census of that year.¹⁵ Not more than 10 per cent of the allotted quota may be admitted in any month, unless the total quota is below 300 for the entire year. The law was made applicable to all countries except Canada, Newfoundland, Mexico, Haiti, Dominican Republic, Canal Zone, and the independent countries of Central and South America.

The act of 1924 sought not only to reduce the number of admissible aliens but also to provide for a positive selection of those immigrants who can be readily assimilated into our national life and whose standard of living is not dangerously inferior to that established by American wage earners. The law provides also for preliminary examination and certification abroad of those persons intending to emigrate to the United States, and extends the principle of exclusion in the case of certain racial groups. Visas must now be obtained from American consuls abroad by all emigrants to this country.

On March 22, 1929, President Hoover issued a proclamation making effective the "national origins" clause of the 1924 act. This clause, the application of which was several times postponed by Congress, provided that after July 1, 1929, the immigrant quota for each nationality was to be determined by the number which bears the same ratio to 150,000 as the number of inhabitants in continental United States having that national origin bears to the number of inhabitants in continental United States in 1920. The minimum quota for any nationality was set at 100. Under these provisions the total annual quota immigration is reduced to about 154,000 of which not less than 123,000 are from northern and western Europe. Some significant changes have resulted. For example, the quota for Great Britain and Northern Ireland has been increased from about 34,000 to about 66,000, while that of Germany has been decreased from about 51,000 to approximately 26,000.

The effects of the act of 1924 are worthy of note. The total number of quota immigrants under this law is about 154,000, as compared with

15. The number of foreign-born persons in the United States in 1910 was 9,249,000; in 1890 the total was 8,000,000.

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some 358,000 under the 1921 quota act. The 1924 quotas are considerably lower than the 1921 quotas for all countries included in the provisions of the law. Considerable variation in these reductions continues, however, the decreases in the case of the eastern and southern countries of Europe being greater than for the northern and western countries. Great Britain and Northern Ireland have gained considerably under the provisions of the national origins clause. This is the by-product of a rather general conviction that these countries furnish the best material for citizenship. The comparative data in Table 55 concerning the old and revised quotas indicate the extent of advantage given to these countries.

TABLE 55
COMPARATIVE QUOTAS FOR SELECTED COUNTRIES UNDER
THE 1921 AND 1924 IMMIGRATION LAWS, AND THE
PERCENTAGE OF REDUCTION IN EACH CASE

Country	1921	1924	Percentage Reduction
Italy	42,057	5,802	86.0
Poland	30,977	6,524	78.9
Russia	24,405	2,784	88.5
Germany	67,607	25,957	61.6
Great Britain and North Ireland . .	77,342	65,721	15.0
Sweden	20,042	3,314	83.4

SOURCE: Reports of the Commissioner General of Immigration.

The net result of the discrimination in favor of the old immigration is that approximately three-fourths of our immigration may come from western and northern countries, practically reversing the situation that existed for many decades previously when more than three-fourths came from southern and eastern Europe.

The exact extent to which the 1924 act will reduce immigration is still a matter of conjecture, but statistical evidence indicates that unless important amendments are added the net reduction will not be so great as restrictionists desire. This is due largely to the exceptions provided in the law. Certain classes of persons are admitted as nonquota immigrants, including unmarried children under eighteen years of age and

wives of citizens of the United States; lawfully admitted aliens temporarily living abroad; immigrants, wives, and children under eighteen from the excepted countries already mentioned, and certain of the professional classes and students. Preferences within the quota are given to unmarried children under twenty-one, father, mother, husband, or wife of a citizen of the United States, and to immigrants skilled in agriculture. Nonquota and preference provisions of the act have been amended for the purpose of uniting alien families.

By amendment also, beginning July 1, 1928, the first half of each quota is reserved for fathers and mothers of citizens, husbands of citizens (married after May 31, 1928), and agriculturists (from countries having quotas of more than 300). The other 50 per cent of each quota is reserved for wives and unmarried children under twenty-one of aliens who have been lawfully admitted to the United States for permanent residence. The whole quota from any country will, if necessary, be confined to relatives of American citizens and aliens and agriculturists and their families. This provision has greatly reduced the number of adults that otherwise seek admission and will tend to lessen further the competitive struggle for American workers.

The significance of the exceptions and preferences specified in the law and its amendments is readily understood when one remembers that in the fiscal year 1927, for example, the total number of immigrant aliens admitted was approximately 335,000, of whom approximately 158,000 were quota immigrants and 284,000 were nonquota immigrants. The large number of nonquota immigrants is attributable to the heavy influx from Canada and Mexico, which are nonquota countries. "Practically one-half of the immigrants admitted during the year 1927," stated the Commissioner General of Immigration, "came from countries in the Western Hemisphere, the quota restriction not applying to these countries."¹⁶ Canada and Mexico furnished the greatest number of immigrants, more than 81,000 coming from the former country and more than 67,000 from the latter, their combined contribution to our immigration being 45 per cent of the total number of immigrants for the year. Mexican immigration increased 56.3 per cent over the preced-

16. The Secretary of Labor, *Annual Report*, 1927, p. 84.

ing year.¹⁷ At the present time there is strong agitation in favor of bringing the countries of the Western Hemisphere within the quota provisions of the 1924 law. The American Federation of Labor has favored this change, while employers and the agriculturists of the Pacific Southwest, where Mexicans furnish a necessary supply of farm labor, are opposed to such an amendment.

There is every reason to believe that statistics of immigration do not measure the total influx of aliens. There has evidently been an increasing number of surreptitious entries. Illegal immigration has been greatly stimulated by a "smuggling" or "bootlegging" trade, the purpose of which is to bring in aliens across the Canadian and Mexican borders by the employment of various subterfuges. For this service the smugglers are said to receive anywhere from \$300 to \$750 a head.

The problem of unemployment relief, as we have seen, became so critical by the latter part of 1930 that an administrative order under the federal acts of 1882 and 1891 was issued forbidding American consulates to issue entrance permits to any immigrants under the quota of 1924 who might become public charges. This order was to cover an indefinite period of time, and, simultaneous with a world depression, has proved to be so effective that during the seven-year period prior to 1938 the total number of persons leaving the country actually exceeded the number entering, leaving a net emigration of almost 100,000. Thus the net results of the new quota have not yet become discernible.

ORIENTAL IMMIGRATION. The problem of Chinese, Japanese, and Hindu immigration has peculiarities not associated with immigration from Europe. In race and civilization Orientals differ greatly from the peoples of western countries. Difficult as is the assimilation of Orientals from a racial standpoint, it is almost as difficult from the point of view of the standard of life. Comparatively few Hindus, Chinese, and Japanese who emigrate from their native countries appear to change their modes of living. They can live even more cheaply than eastern and southern Europeans, and for this reason American workmen fear competition with them more than they do competition with

17. *Ibid.*, p. 85.

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the latter races and nationalities. Orientals accept wages that to native Americans and to older immigrants would mean starvation.

The number of Orientals in the United States is not so great as to cause serious alarm, there being only 74,954 Chinese and 138,834 Japanese in this country in 1930. The Chinese constitute less than one-tenth of one per cent, and the Japanese about one-tenth of one per cent of the total population. The number of Japanese, however, increased 196.6 per cent between 1900 and 1910, 53.8 per cent between 1910 and 1920, and 25.1 per cent between 1920 and 1930.¹⁸ A number of Chinese, not shown in the statistics of immigration, gain entrance to the United States by deserting from vessels upon which they have arrived as members of the crew, by entering surreptitiously across our land borders, or by being smuggled in at various remote places on our seacoasts. The so-called "seaman's route" has apparently become a favorite device for defeating the purpose of the Chinese exclusion laws.

The economic consequences of the presence of Oriental laborers is no small factor in the waves of race prejudice that have swept periodically over the Pacific coast states, especially California. Both Chinese and Japanese have been the victims of race prejudice, and laws have been passed excluding Orientals from land ownership. Opponents of Asiatic immigration contend that these immigrants endanger American industrial and social standards and their presence discourages the immigration of white labor in the same way as does the presence of the Negro in the South. The principal charges are that the Chinese and Japanese are nonassimilable biologically, and that they do not constitute desirable additions to the population because of the great differences in religion and customs and their divided allegiance. Probably the basic fact behind race prejudice in this case is the competition that the American wage earner fears from the Oriental.

Those who oppose prohibition of immigration from the Orient point out that Orientals comprise an insignificant percentage of the total population and their birth rate is no higher than other classes of immi-

¹⁸ *Statistical Abstract of the United States* (U. S. Bureau of Foreign and Domestic Commerce, 1937), p. 11.

grants. Unprejudiced opinion supports the conclusion that Orientals are economical, thrifty, efficient, and polite. The industry and patience of the Japanese have been responsible for the reclamation of waste and unused land which they have made very fertile—land that native Americans would not cultivate because of the attendant difficulties.

The first attempt of the federal government to regulate Chinese immigration is found in the Burlingame treaty of July 28, 1868. Little was accomplished by this treaty because it merely expressed the right of the Chinese to settle wherever they wished but denied them the right of naturalization. A treaty negotiated in 1880 authorized the United States government to regulate, limit, or suspend immigration from China, but not to prohibit it. In 1882 the Chinese Exclusion Act was passed, which excluded all Chinese skilled and unskilled labor for a period of ten years. In 1904, when the Chinese government refused to continue the treaty of 1894 providing for the exclusion of Chinese labor for ten years, Congress re-enacted the law of 1882, extending and continuing without modification, limitation, or condition all laws then in force so far as they were not inconsistent with treaty obligations. This gave permanence to the Chinese exclusion policy of our government. Classes exempt under the law include officials of the Chinese government; teachers; students; merchants; travelers; laborers coming to join lawful wives, children, or parents, or to claim property or debts; and the wives and minor children of members of these exempt classes. Exempted persons must produce identification by their own government, which identification must be visaed by a diplomatic or consular agent of the United States. The law has been very difficult to enforce.

In accordance with the "gentlemen's agreement" entered into by the governments of the United States and Japan in 1907, Japanese laborers who were not coming to the United States to resume a formerly acquired domicile, to join a parent, wife, or children residing here, or to assume active control of an already possessed interest in a farming enterprise were refused passports by the Japanese government. Fictitious business partnerships were a favorite means of evading this understanding, and a great deal of criticism arose charging that Japan was not living up to the agreement. A new treaty signed in 1911 omitted all

reference to immigration, but the Japanese government declared officially that it was fulfilling its responsibilities under the agreement of 1907, and that emigration from Japan was being limited to the movement of Japanese laborers to Hawaii. The 1913 anti-alien land ownership law of California and the introduction of similar measures in the legislature of other Pacific coast states tended to strain relations between Japan and the United States.

The relations between the two governments were still further strained when Congress, apparently against the wishes of the President and in spite of opposition by many citizens who desired to safeguard friendly relations with Japan, incorporated the Japanese exclusion clause in the immigration act of 1924. This provision forbade entry into the United States of all those who were ineligible to citizenship, and undoubtedly this has had a marked effect in keeping out Japanese laborers and others intending to settle in this country. The inclusion of this clause, deemed necessary by unionists and many public officials, was deprecated by certain portions of the press and many citizens as a serious blow to international good feeling. These persons pointed out that Japan could have been brought within the quota provisions of the law without serious consequences since only 146 Japanese could have come in each year. This would have saved the pride of an independent sovereign nation generally accepted as a world power.

Our immigration policy with regard to Orientals is criticized by many who contend that it is fundamentally unjust to discriminate against Asiatic peoples. Such discrimination, it is maintained, is humiliating to Asiatics, promotes race prejudice and suspicion, disregards the rules of international comity, and is economically detrimental to the United States. Identical treatment of all immigrants, both in political and in economic relations, is urged on the grounds that individual qualifications, not race, should be the basis of citizenship and that such action is necessary to retain the friendship of Oriental nations and to enhance our commercial prestige in the East.

CONTROLLING THE SALE OF PRODUCTS OF CONVICT LABOR. There is a general tendency to comply with the demands of manufacturers and unionized workers in the restriction of the sale of prison-made goods

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in competition with commodities produced by free workers. Legislation designed to mitigate or remove the evil of unfair competition has been passed in thirty-three states, and takes varied forms.¹⁹ In some states employment of convicts is forbidden where their work conflicts with the employment of free labor. A number of states prohibit convict labor in specific lines of industry or else prescribe the kinds of industries in which such labor may be employed. Several states provide for the distribution of prison labor among a number of industries but limit the number that may be employed in any given one. The statutes of many other states make interesting attempts to solve the problem. Some require that prison-made goods must be sold at no less than current wholesale prices. In others the labeling of such goods is compulsory. An interesting innovation in this type of legislation is found in New Jersey, where the law prohibits the employment of convicts on public work to replace free wage earners locked out or on strike.

Some jurisdictions have attempted to solve the problem through constitutional provisions. California's constitution prohibits the sale of convict-made goods, unless it is specifically sanctioned by an act of the legislature. The constitution of the state of Michigan forbids the teaching of a trade to convicts, except those trades the products of which are principally imported into the state.

Little has been done in the way of federal regulation of productive labor in penal institutions, although some comprehensive measures have been introduced in Congress from time to time. Of these the Hawes-Cooper Act of 1929 has attracted considerable attention. This bill divested convict-made goods of their interstate character, so that the laws of the states into which such goods have been shipped may be applicable to them the same as to goods produced within the respective states. Goods produced by persons on parole or probation and commodities manufactured in federal penal institutions for use of the federal government are not included in the law. The act did not take effect until five years after the date of its approval, and since then has been supplemented by the Ashurst-Sumner Act of 1935. Under this law federal aid is extended to any state for the enforcement of the state law

19. *Monthly Labor Review*, vol. 45, December, 1937, pp. 1424-6.

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by making it a "federal offense if prison-made goods are transported into a state in violation of its laws."²⁰ Under this law, even when a state has no restrictive legislation regulating prison-made goods, all such products transported in interstate commerce must be labeled to show their place of origin. Many states have similar laws for intrastate distribution.

At the present time public opinion favors the state-use system of convict labor. This form of regulation has already proved effective and acceptable. Advocates of the extension of this system urge the selection of those industries the products of which will find a steady and adequate market among state and local governmental agencies within or without the state, and for which adequate raw materials are obtainable at reasonable prices. They also urge that the industries selected shall be those in which the prisoners can be employed most effectively and constructively. It is suggested further that compensation, hours of work, and conditions of employment shall depend upon the conduct and efficiency of the individual, but that within these limits the standards shall be desirable.

In any approach to a solution of this perplexing problem, it is imperative that the interests of all concerned shall be recognized—manufacturers, free wage earners, individual prisoners and their families, and the state. It is quite evident that convicts should be employed and that they should be employed productively. It is equally clear that great injustice results from their employment in the production of commodities that are to compete in the open market with the products of free labor. The simple elements of justice would also require that the convict be paid reasonable compensation for his work, the income being assigned to his dependent family or accumulated in his own account as a means of expediting his economic and social readjustment upon his release from prison.

C. LAWS RELATING TO EMPLOYMENT EXCHANGES

PUBLIC EMPLOYMENT EXCHANGES AND THE WAGNER-PEYSER ACT. For many years public employment exchanges have been urged as a de-

20. *Ibid.*, p. 1426.

sirable substitute for private fee-charging agencies. Ohio, which passed a law in 1890, was the first American state to provide a public employment service. The development of state and municipal labor exchanges continued upon the abandonment of the federal system following the World War, and, by 1929, this type of public agency had been created in some forty states of the nation. But the old state employment services for many years remained open to severe criticism. Insufficient appropriations crippled their work, making it impossible for them to employ a competently trained personnel and to install adequate equipment. Employers accused them of discrimination and favoritism in their placements, partiality being shown union workers. The inability to advance transportation money and to establish a clearing house for information concerning the labor market led to other deficiencies. Often the law restricted operation of such exchanges to large cities, thus depriving smaller communities of a much-needed service. Moreover, state employment systems have been criticized because of their inability to take care of interstate needs. Such systems can hardly be expected to spread their operations in this way, since they do not have adequate data and the public is not anxious to expend state funds for placements outside the state. Perhaps the most severe, and in many respects the most valid, criticism is that such exchanges have been manned by political appointees who do not possess any particular ability or training to do the work.

The limited scope of state employment services has occasioned a growing demand for a national system of labor exchanges with which local and state exchanges should be closely co-ordinated. Such a program was attempted with noteworthy success during the period of the World War. Up to the end of 1917 there was no national system of employment offices in this country, but in the reorganization of the United States Department of Labor on January 3, 1918, the Employment Service was recognized as an integral division. The service had been inaugurated in 1907 as an attempt of the federal government, through the Bureau of Immigration, to place immigrant labor on farms. In 1915 its scope was extended to include all occupations and classes of labor. The reorganization in 1918 was made possible by a grant of

\$2,000,000 from the president's emergency fund, and the service was placed directly under the control of the Secretary of Labor. State, county, and municipal offices throughout the country were co-ordinated under the authority of the old United States Employment Service, but they did not lose their identity. Federation rather than consolidation was sought. Several sections were created, and there was introduced as an aid in recruiting labor a system of state advisory committees, community boards, and state organization committees comprising representatives of employers, employees, and the federal service.²¹

An idea of the success of the reorganized federal service may be gathered from the fact that between January, 1918, and June, 1919, it received calls for more than twelve million workers, registered seven million employees, referred about six and a half million to positions, and placed approximately five million. All kinds of employees were directed to positions, from common laborers and domestic servants to high-salaried professional and technical experts. All this was done without any charge to the applicants, and at a cost to the nation of only \$1.34 per placement. In determining the average cost per placement all expenses of building and equipping the service were included, items that in the financing of private corporations would be considered permanent investments not chargeable to operation.²² The estimated saving to workers was about ten million dollars in fees alone, while many millions more were saved in minimizing time lost by workers in changing jobs and in the reduction of labor turnover.

Built up as it was under the stress of an unprecedented emergency, it was inevitable that certain deficiencies should appear in the operation of the new system of labor exchanges. Deficiencies in structure, personnel, and methods of procedure occasioned criticism. Some employers opposed it on the ground that it was dominated by organized labor. Private employment agencies opposed it and carried on subtle propaganda against it. The expansion planned for 1919-1920 was made im-

21. For a more detailed discussion of the reorganized federal service see Gordon S. Watkins, *Labor Problems and Labor Administration in the United States during the World War*, University of Illinois Studies in the Social Sciences, University of Illinois, Urbana, vol. viii, part ii, September, 1919, pp. 176-205.

22. *Seventh Annual Report of the Secretary of Labor*, 1919, pp. 292, 293.

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possible when Congress granted only \$400,000 of the \$4,634,000 appropriation that was requested for this purpose. The expanded service was maintained through a critical period of several months by the generous co-operation of state, municipal, and community organizations. In the autumn of 1919, however, it was again reduced to a skeleton service, which rendered it incapable of doing effective work in the extraordinary depression of 1920-1922. With its limited funds it continued to function somewhat as a co-ordinating agency for the various state and municipal employment offices, publishing a monthly bulletin and performing minor functions until the current national system was established.

During the Great Depression there were still twenty-three independent state public exchange systems in the country, each struggling to give aid in the placement of workers in the face of many defects. But these deficiencies were largely corrected by the provisions made in the Wagner-Peyser Act which became effective in June, 1933. This act established a nationwide system of free public employment exchange bureaus operating under the supervision of the newly created United States Employment Service. This system has as its chief functions the granting of federal aid to individual states which establish and maintain employment registration offices; the development and maintenance of standards of efficiency and statistical records; assisting in the solution of problems peculiar to local communities; continuous research into employment opportunities; and the co-ordination of state and federal re-employment programs. The latter obligation has been only temporary in nature, but the others have been incorporated into the permanent activities of the service.

With the development of the broad social security program outlined in Chapter 28, the United States Employment Service has become an extremely important agency in the effective administration of various phases of social security legislation. Among the most significant phases has been the close integration of employment placement with the payment of unemployment compensation benefits, where obviously it is imperative that proper employment opportunities be referred quickly and fairly to unemployed workers so that unemployment can be reduced to a minimum and the unemployment trust fund can be pre-

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served for genuine emergency periods. Underlying this work is the theory that a pay check is preferable to an unemployment benefit.

D. MAJOR NEW DEAL LEGISLATION OTHER THAN SOCIAL SECURITY

LABOR UNDER THE NATIONAL INDUSTRIAL RECOVERY ACT. By 1932, as we have seen from our study of the unemployment problem, national business conditions were approaching a crisis, and the country was confronted with the possibility of revolt and riot. Unemployment was widespread; the capital goods industries were operating at only 25 per cent capacity; and building and construction activity had fallen off 85 per cent. In the face of these critical conditions the new federal administration entered office in Washington in the spring of 1933 and there followed a rapid series of New Deal legislative measures. Most of this legislation has had a profound influence upon employer-employee relations and upon the status and living standards of all economic classes, especially of the working people.

As the new Congress assumed its responsibilities in that grave hour, its avowed purpose was to play a leading role in encouraging national economic recovery. This objective first took the form of the National Industrial Recovery Act of 1933. There were three main divisions to this new law. Title I dealt directly with the codification of industry; Title II provided for the establishment of an emergency public works program, and Title III introduced important amendments in the administration of direct federal relief to unemployed indigents. Since in this act we find many significant principles which have been projected into other forms of labor legislation during the past few years, it will be well to examine the provisions of the first two titles in greater detail, even though the act was in force only two years before being declared unconstitutional by the United States Supreme Court.

1. *Title I.* In the formulation of the provisions of this title the federal Congress desired to do three things—two as direct aid to employees, and one as a benefit to employers. Employees were to be benefited by having their hours of labor shortened, wages raised, and working

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conditions improved. They were also to benefit through a guarantee of their rights of collective bargaining. And to compensate for these unprecedented gains to labor, employers were to have the right to organize, through the processes of codification, into trade associations in order to regulate production and eliminate ruinous cut-throat competition. Underlying these objectives of Title I was the thought that severe depressions were the result of a lack of purchasing power on the part of millions of consumers, and that the way to prosperity was through control of activities restoring this balance. Economic forces, it was thought, could be controlled without changing the basic characteristics of modern capitalism.

Under Title I the pathway leading toward these objectives was made. Early sections empowered the president to appoint administrators of the codes of fair competition which might be drawn up by these employer groups, to approve such codes, to exempt such activities from prosecution under the antitrust laws, and to establish protective standards for employees, consumers, and the public.

The most famous of all of its sections was 7(a). This section stipulated that every code of fair competition should contain provisions that: (1) employees should have the right to organize or bargain collectively through representatives of their own choosing and should be free from the restraint of employers; (2) no employee seeking work should be required to promise to join or not to join a union; and (3) employers should comply with the maximum hours, minimum rates of pay, and other working conditions as set forth in their respective codes of fair competition. Section 7(b) provided that employers and employees by mutual agreement should determine these fair codes, and that where no agreement existed the president might investigate and prescribe a code for the industry.

2. *Title II.* Title II instituted the public works program of the federal government. Underlying this program was the theory that the government, not motivated by profit making, was best able to start recovery by creating new jobs and extending wages to the unemployed. Consumption would be stimulated with new purchasing power, which in turn would bring a return of prosperity. This was to be accomplished by

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two different forces set in motion in this title of the act. An appropriation of \$3,300,000,000 was to be used in carrying out an immense public works program under which roads were to be built, harbors and rivers improved, parks created, slums cleared, and a low-cost housing program undertaken. To this end the PWA was created which has been working along the lines outlined in Chapter 28. In the conduct of this program, certain labor provisions of the title were to be recognized. All government contracts were to include minimum wage provisions for both skilled and unskilled workers. No convict labor was to be used. A thirty-hour week was to be the maximum work week. Wages were to be just and sufficient to provide a "comfort and decency" standard of living. Finally, human labor instead of machinery was to be used wherever possible. Under this program some 2,150,000 laborers had been put to work by December, 1933. The development of this tremendous work relief program was reviewed in Chapter 28.

Many changes in the status of labor resulted from the application of this far-reaching social and industrial legislation, not a small amount of which has been incorporated into permanent national legislation. By December, 1934, some 20 million out of a possible 50 million workers were employed in industries covered by 517 basic code agreements. The minimum wage provisions ranged from 12.5 cents per hour for needlework in Puerto Rico to 70 cents per hour for wrecking and salvage work in New York City, varying according to geographic areas, population, density, sex of the laborer, and the wage rates existing in 1929. Averages for about one-half of all unskilled production workers were set at 40 cents per hour; for the other half these minimum rates were set at between 30 and 40 cents per hour. Only ten codes allowed the payment of wages of less than 30 cents.

A second major change introduced by the N.I.R.A. related to hours of work. Some 85 per cent of all codes set the maximum working week at forty hours; only 8 per cent were above, and 7 per cent below. This meant that some 50 per cent of all covered employees during the life of the act worked under codes of forty hours of work per week; 10 per cent worked under codes of less than forty hours; and the remaining 40 per cent were under codes of more than forty hours. Only 8 per cent,

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however, continued to work under codes of fifty hours or more of work per week. For millions of workers throughout the nation, this brought a material decrease from the sixty- and seventy-hour weeks, which we have seen were still being followed in certain industries.

The third major change in the status of labor introduced by the N.I.R.A. relates to the worker's right of collective bargaining. For the first time in the history of employment relations, labor was guaranteed the right to organize and bargain collectively and the yellow-dog contract was outlawed. It was this provision which gave birth to the National Labor Relations Board, to the revival of company unionism and to the encouragement of industrial unionism—all forces which have brought significant and lasting changes to labor in the United States.

On May 27, 1935, the United States Supreme Court invalidated the National Industrial Recovery Act.²³ Even though some of its major provisions were only temporary in nature, others had during the short life of the law won widespread support. It is not surprising, therefore, that immediately after this decision was announced Congress set itself to the task of other New Deal legislation which would incorporate some of the N.I.R.A.'s benefits to labor.

3. *Evaluation of Public Works Laws.* Since the collective bargaining principles of the N.I.R.A. will be evaluated after a review of the activities of the National Labor Relations Act, we may concern ourselves at this point with an analysis of the general principle of the intelligent planning of public works as introduced by the N.I.R.A. and as carried out by means of the subsequent relief measures of federal and state governments. Complete abolition of unemployment implies perfect business adjustment, which is hardly probable in a competitive regime like ours that allows relatively free play to economic forces and individual enterprise. There is considerable agreement, however, that the amount of unemployment can be greatly reduced by a combination of intelligent approaches, many of which have already proved worth while. The distress incident to the amount of unemployment that cannot be prevented can be greatly alleviated through various forms of unemployment compensation.

23. *Schechter Poultry Corporation v. United States*, 295 U.S. 495 (1935).

The provision of emergency public works and the long-range planning of all public works have received general recognition as a logical and practicable approach to a solution of the unemployment problem. Intelligently planned and efficiently administered, public work is far better than charity. A distinction must be made, however, between public works planned merely as a "relief" to idle wage earners and a well-planned program of public improvements extending over a period of years and designed to give productive employment. With the constant expansion of governmental functions, the accumulation of public works in the hands of local, county, state, and federal governments is such as to exercise a considerable stabilizing influence when properly planned to coincide with depressions in private industry and business. Such improvements must, of course, be absolutely necessary, otherwise public funds will be wasted. Care must be exercised to time these public projects so that workers will not be drawn off from private industries in periods of great business activity. This has been one point where the federal work relief program has left itself open to criticism.

Municipalities, counties, and states can time many of their improvements, such as the reconditioning of old public buildings or the construction of new ones, sewer excavation, digging of drainage ditches, street and highway paving, and the expansion of public park systems so as to coincide with seasonal slumps in important private industries. The more comprehensive projects of state and federal governments, such as the construction of rural postroads, river and harbor improvements, flood control, irrigation, reclamation and reforestation, are particularly well adapted to long-range planning and can be made to synchronize with cyclical depressions in business. All public improvements cannot wait, and it is not the purpose of such a program that they should. What is meant is this: a certain percentage of necessary public work shall be deferred each year and the accumulated amount shall be executed in periods of business depression. A deferment of 10 or 20 per cent would relieve considerable unemployment.

The use of public works as a means of meeting the unemployment situation rests upon substantial grounds. In the first place, it is based upon the valid assumption that the only remedy for unemployment is

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employment. Work and not charity is necessary. A well-planned and efficiently executed system of public works will, moreover, have a stimulating effect upon private industry and business, especially those producing raw materials and manufactured products used in construction. The wages earned by employees on public works will be expended for commodities produced by other industries, which will also tend to help business revive. Finally, such a program of construction will prove at least a partial substitute for charitable relief, thus reducing the probability of an excessive tax burden for this purpose, to say nothing of helping wage earners to maintain their self-respect.

If, however, flagrant abuses are to be avoided, there must be adherence to certain well-defined principles of procedure. Such a program of public works must be firmly established upon a business rather than a relief basis. This means that workers shall be employed at regular standards of wages, hours, and conditions of employment, and that the highest possible standards of efficiency shall be maintained. Political favoritism must not be allowed to enter into the selection of employees. A reliable statistical service must be organized for the purpose of collecting, interpreting, and disseminating data relative to the trend of business and employment. Only in this way can public work be controlled to coincide with seasonal and cyclical fluctuations in private business. The projects should be budgeted and financed for definite periods of time, say ten years, in order that long-range planning may be made most effective. An initial large appropriation might well be provided in the plan. Finally, steps must be taken to build up a co-ordinated system of local, state, and federal labor exchanges in order to assure the most effective recruitment and distribution of labor.

Experience with programs of public works initiated through the N.I.R.A. has taught this country the lesson that widespread employment cannot be regained through the expansion of public works programs alone, and that the administration of such a program inevitably involves waste and politics.

THE NATIONAL LABOR RELATIONS ACT. The N.I.R.A. principle of collective bargaining was embodied in the National Labor Relations Act (commonly known as the Wagner Labor Act or the Wagner-Connery

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Act), which became a law only five weeks after the unfavorable Supreme Court decision in the Schechter case in 1935. Like its predecessor, the general purpose of the National Labor Relations Act has been to encourage the practice and procedure of collective bargaining, to protect workers in their exercise of the right of freedom of association and self-organization, and to eliminate the causes of the obstructions to interstate commerce arising out of industrial unrest by requiring employers so engaged to accept the procedure of collective bargaining in the settlement of these disputes.

The act defines as unfair labor practices five activities on the part of employers engaged in interstate commerce:

1. Interference, restraint, or coercion of employees in the exercise of their rights established by the act.
2. Domination or interference with the formation of any labor union, or financial support of such an organization.
3. Discrimination in regard to hire or tenure of employment designed to discourage membership in any labor organization.
4. Discharge of or discrimination against an employee because he has filed charges or given testimony under the act.
5. Refusal to bargain collectively with representatives of his employees subject to the provisions set forth within the law.

Thus under the law the worker has been guaranteed the right of collective bargaining without fear of intimidation or discrimination on the part of the employer. The act, furthermore, definitely establishes (Section 9) the principle of majority representation and specifically legalizes the union shop. It does not provide for either voluntary or compulsory arbitration of industrial disputes nor does it deprive the workers of their right to strike. It should also be noted that the N.L.R.A. applies only to those employers and workers whose operations enter interstate commerce.

The administrative agency established by the act is the National Labor Relations Board, composed of three members appointed for five-year terms by the president with the consent of the Senate. This agency has been given the authority to investigate cases arising within the scope of the law and to establish branch offices needed in the effective

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administration of the program. By January, 1940, the board had established twenty-two regional offices. After thorough investigations it issues "cease and desist orders" and, under proper circumstances, seeks court orders imposing penalties upon employers who fail to accept the board's final order in the settlement of a case coming within its jurisdiction.

The procedure followed by the board in carrying out the law is quite simple. It cannot mediate or arbitrate a dispute. This function, as we have seen from Chapter 27, has been reserved for the Bureau of Conciliation of the United States Department of Labor and other arbitration agencies. If a worker believes he has been discriminated against in being discharged by his employer, he first takes the case to the representatives of his union, or, if he prefers, directly to the regional office of the National Labor Relations Board where proper charges against the employer are informally filed. Thereupon the director of the regional board office orders a field investigator out to the scene for a preliminary review of the case. If the charges made by the worker or his representatives seem bona fide, the Regional Director has a formal complaint drawn up and filed, and orders a "trial hearing." At this trial hearing, evidence and testimony is presented by or for both employer and employee, and if the employer is able to establish his innocence of the charges, the case is dismissed. On the other hand, if the evidence presented fails to vindicate the employer but substantiates the employee's charges, thus establishing the employer's violation of the act, the regional office of the board issues a "cease and desist" order. In effect this order tells the employer to stop doing the unlawful act of which he has been found guilty and to make proper amends by re-employing the discharged worker, with back pay for the period of his discharge from the service of the company.

If the employer refuses to accept this order from the board's regional office, he may appeal the case, in which event all the records, hearings, testimony, and the like bearing upon the whole issue are dispatched by the regional office to Washington for a complete review by the National Labor Relations Board itself. If the board finds the Regional Director has erred in issuing his "cease and desist" order, it so rules and the

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employer is exonerated. But if it finds that the order of the regional office has been justified, it renews the "cease and desist" order and attempts to make the employer comply with the terms of the law. If the employer still refuses to accept the board's order, his final recourse is an appeal to the courts; or the board may seek the enforcement of the order through the federal courts. In either event final appeal is before the United States Supreme Court.

Our analysis of fundamental labor problems has revealed the undeniable need for legislation of this type, but the law has been burdened with criticism from various sides ever since its enactment in 1935. The employers and their associations as a rule have fought this act bitterly, principally upon the ground that it violates their inherent right as employers of labor to conduct their business as they see fit, including the hiring and firing of their employees, without interference from any outside source. They object to a law which gives the employee but not the employer the right to call for an election under the board's supervision. They find much fault with the way in which the act is applied. It is administered, they claim, in a prejudiced and partial manner by the board's staff. To correct these major defects, the Chamber of Commerce of the United States has strongly urged the adoption of the following amendments:²⁴

1. Give employers the express right to petition the Labor Board for employee elections.
2. Guarantee the right of freedom of speech between employer and employee.
3. Prohibit coercion from any source.
4. Limit labor organizations to the representation of their own members in collective bargaining negotiations.
5. Repeal the closed shop provisions of the act.
6. Limit the power of the Labor Board to a determination of facts in labor cases only, thus transferring the judicial functions of the board to the federal courts or to some other agency.

24. Associated Press release under date of January 13, 1940. At this time the Chamber announced a plan to poll its membership on these proposed Amendments, and on March 2, 1940 membership endorsement of these basic changes was announced by the Chamber.

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The American Federation of Labor lent strong support to the N.L.R.A. at the time it was passed and hailed the law in 1935 as a milestone in the legislative progress of the American working man. But during the intervening years, strangely enough, this organization has viewed the law less favorably, and during the 1939 and 1940 Congressional hearings actually openly opposed it and urged immediate changes. The A. F. of L.'s principal criticisms have been directed toward the way in which the law has been administered, rather than toward the basic principles of the law, which it still believes are sound.²⁵ During the summer of 1939 it was successful in effecting basic changes in administration that have resulted in the correction of a number of fundamental objections directed toward the board. In the minds of the members of the organization's Executive Council, however, there still remain problems relative to the worker's right to an appeal in certain cases, the "extraordinary and outrageous" delay in adjudicating cases, and the dangers incident to the "tremendous powers" still vested in the board.²⁶

The C.I.O. has not shared all these criticisms. It has expressed its dissatisfaction with the delay encountered in getting cases cleared through the machinery of the board and believes that with the building up of personnel by means of larger appropriations the board will be able to overcome this chief defect as time passes.²⁷ It has gone on record as opposing "without qualification all changes whatsoever in the text of the National Labor Relations Act," unless amendments serve to protect the "industrial unit."²⁸ The organization's president, John L. Lewis, has charged that the amendments to the act introduced in the spring

25. American Federation of Labor, *Report of the Executive Council of the American Federation of Labor*, Fifty-Ninth Annual Convention, Cincinnati, October 2, 1939, pp. 116-20. Also see the Hearings before the Committee on Education and Labor, United States Senate, 76th Congress, 1st Session, especially Part 3, 1939, and Part 24, 1940.

26. *Ibid.*, p. 123. These criticisms were reiterated by William Green as he testified before the House Committee investigating the board on January 25, 1940.

27. *Report of President John L. Lewis* (Congress of Industrial Organizations, San Francisco, October 10, 1939), pp. 31-2.

28. Congress of Industrial Organizations, *Why the Wagner Act Should Not Be Amended*, Publication no. 23 (Washington, 1939), p. 4. See the nature of the amendments suggested by the C.I.O. as set forth in the footnote on page 649.

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of 1939 in the form of the Walsh-Green Bill and supported by the A. F. of L. were prepared "with the aid, advice and counsel of representatives of the most anti-labor corporations in the country and the National Association of Manufacturers." ²⁹

In the midst of this bitter debate over the relative merits of the National Labor Relations Act it is extremely difficult to separate the economic issues from the personal interests and ambitions of employers and labor leaders. One thing is of fundamental importance. The law was admittedly designed to favor labor, and not the employer. This explains much of the attitude of employers who still do not understand why the law gives certain privileges to their employees without doing the same for them. The law has always intended to do this very thing, on the theory that employers for many years already had enjoyed the protection extended to the workers by the new law, namely, the right of self-organization without fear of intimidation or discrimination. From this point of view the law appears to be fundamentally sound in principle. A serious study of the period of industrial unrest which has accompanied the enforcement of the law, however, leaves many questions in the mind of the objective observer. No one yet knows whether it has actually been instrumental in accomplishing its objective of reducing industrial warfare by guaranteeing labor the right to organize. It is only natural that industrial strife would tend to be intensified during the first few years following the announcement of such a guarantee.

The newest and most uncertain years of the life of the National Labor Relations Act are quickly passing, and as employers sit down to work out certain problems in joint council with employees who are beginning to enjoy the fruits of newly found rights, it would seem that the novelty of this new legislation will soon wear off. If this is true in the long run, the cause of industrial peace doubtless will be promoted. But the internal administrative organization should be strengthened through the careful selection of well-qualified and fair-minded board and staff members. Moreover, there should be further clarification and limitation of the powers of the board. These improvements are imperative if genuine and lasting benefits are to be gained through the channels of this legislation.

29. *Report of President John L. Lewis, op. cit.*, p. 30.

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STATE LABOR RELATIONS ACTS. During 1937 five states³⁰ enacted "little" labor relations acts patterned after the national law, thus extending to workers engaged in *intrastate* activities rights of collective bargaining which were extended to *interstate* workers under the N.L.R.A. of 1935. During the legislative year of 1939 some of the provisions of state laws were changed, and similar measures were introduced in several other states for the first time. Thus many employees who were not covered by the original law because of the nature of their work are now protected. This type of legislation is bound to be extended further with the passing of time.

The Michigan Labor Mediation Act of 1939 is primarily a conciliation law, although some of its provisions specifically prohibit employers from dominating or supporting labor organizations or discouraging organization among company employees. For employees, sit down strikes are now illegal, as is also intimidation of other employees for the purpose of encouraging them to join a union or discouraging them from working. The Minnesota Labor Relations Act (1939) is chiefly a labor conciliation law, although it guarantees employees the right to engage in lawful concerted activities. Like the Michigan law, the Minnesota law makes sit down strikes unlawful. Picketing is also unlawful where there is no strike or where the majority of pickets are not employees of the company being picketed.³¹

The old Labor Relations Act of Pennsylvania was changed from a statute similar to the Wagner Act to one of the so-called "equalizing" type in 1939. In amended form, unfair labor practices by both employees and employers are prohibited. The law now makes the commitment of unfair labor practices by the complainant a complete defense against charges of unfair labor practices. It also now prohibits the "check-off" system (under which union dues are deducted from the pay check by the employer and turned over as one lump sum to the union) unless the employer is authorized by a majority vote of the employees and by individual authorization to perform this activity. Employees are forbidden to participate in sit down strikes, to force fellow employees either to join a

30. Massachusetts, New York, Pennsylvania, Wisconsin, and Utah.

31. *Monthly Labor Review*, vol. 49, October, 1939, pp. 884-8.

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union or to refrain from doing so, and to coerce an employer to meet the demands of labor, including the demand for collective bargaining.

The amended Labor Relations Act of Wisconsin (1939) abolished the old labor relations board and established an employment relations board composed of three members. The law now guarantees to labor the right to engage in or to refrain from engaging in lawful concerted activities. Representatives chosen by the majority of employees in a collective bargaining unit are the exclusive representatives of all employees for the purpose of collective bargaining. Questions of representation are determined by secret ballot, and the check off of union dues unless authorized in writing is forbidden. Unfair labor practices of employers include coercion or intimidation, mass picketing, secondary boycotts, picketing or boycotting unless a strike has been called, and sit down strikes.

These changes represent a significant departure from the original pattern of the National Labor Relations Act, and reflect a growing trend of public opinion against some of organized labor's activities during the turbulent adjustment period preceding the year 1940.

E. OTHER PROTECTIVE LABOR LAWS

WALSH-HEALEY ACT OF 1936. On September 28, 1936, the federal Public Contracts Law, popularly known as the Walsh-Healey Act, became effective. This law provides that all manufacturers and dealers doing business for the United States under federal contract in amounts of more than \$10,000 annually are required to limit the work hours of their employees to not more than eight per day and forty per week, and to agree to pay wages which are at least equal to those determined by the Secretary of Labor as the minimum rates in the industry. A further provision is that employers coming under the law are forbidden to employ children or convict laborers in the fulfillment of government contracts. In cases where overtime work is necessary, rulings of the Secretary of Labor have made provision for the payment of stipulated overtime wages. One amendment (1939) to the original law allows contractors to maintain general employment records instead of separate files for those engaged on government work. A second (also 1939) holds a manufacturer ship-

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ping goods direct to the government on a dealer's order the principal party to the contract and thus subject to the act.

DAVIS-BACON ACT AND ANTI-KICK-BACK LEGISLATION. The Walsh-Healey Act represents an extension of the Davis-Bacon Act, first passed by Congress in 1931 and amended in 1935. This legislation, providing for the payment of prevailing rates of wages to laborers and mechanics employed on public buildings of the United States by building contractors and subcontractors, soon made other measures of relief to the workmen on such contracts necessary. Evidence gathered during the years of the depression following the enactment of the original Davis-Bacon Act disclosed many instances of workers' being taken advantage of during unemployment periods by some unscrupulous contractors who would require service without pay for the privilege of securing employment. Other common practices involved the submitting of a low bid by the contractor, which was successful. The contractor would then pay the prevailing wage rate, with the understanding between himself and the employee that the employee would return a part of the wage to the contractor. Knowing how difficult it was during this time to secure employment, laborers were often coerced into accepting this practice.

But information finally came to the surface, and a Congressional hearing which followed revealed many cases in which workers had been deprived of part of their wages.³² To remedy this evil, Congress passed an anti-kick-back law in June, 1934. The act outlaws these old practices and requires each contractor and subcontractor to furnish a weekly sworn statement showing the wages paid to each employee during the preceding week. Several states have dealt in similar fashion with these unfair practices.³³

LAWS RELATING TO EDUCATION AND VOCATIONAL TRAINING. Since the earliest colonial days governmental authorities have been charged with the responsibilities of public education and training. Considerable progress has been due to the demands of the wage earner himself. The federal government assumed leadership in this movement under the Smith-Hughes Act of 1917 which created a Federal Board for Vocational Edu-

32. *Monthly Labor Review*, vol. 48, May, 1939, p. 1103.

33. California, New Jersey, New York, and Washington.

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cation. Since the enactment of the Wagner-Peyser Act, this program has been expanded into a federal-state co-operative program for the purpose of providing full-time, part-time, or evening class instruction in practical and technical training which is directly related to earning a livelihood, in contrast to the formal cultural educational program of the classroom.

Two noteworthy divisions of the Federal Board of Vocational Education have developed in the course of the expansion of this program. One has taken the form of the Federal Committee on Apprentice Training, an advisory group (operating since 1937 as a statutory unit of the Department of Labor) interested in the creation of opportunities for more specific occupational training under approved labor standards for those desiring to become skilled craftsmen by way of intensive apprenticeship training. The other is the Vocational Rehabilitation Division of the Office of Education which is primarily interested in training, re-education, and rehabilitation work among those who have been injured by industrial accidents, or who are otherwise handicapped and forced into the group of substandard workers.

In addition, a broad educational program sponsored by the Worker's Education Bureau of the federal Works Projects Administration has brought additional opportunities to millions of workers who have lost their skill or their outlook on life because of forced idleness during long months and years of business depression.

NATIONAL HOUSING ACT. The National Housing Act of 1934 has proved to be of inestimable aid to millions of workers in the fulfillment of their needs and desires for better housing facilities. The purpose of this law has been to encourage home construction by guaranteeing liberal, low-interest-bearing financial loans to home builders. Under the law (as amended in 1938 and again in 1939) the Federal Housing Authority is authorized to insure mortgages up to 90 per cent of the value on homes costing \$6000 or less, thereby making it possible for a worker and his family to purchase a new home built to government specifications and costing \$5000, for as little as \$500 cash, with the balance, including interest and taxes, to be paid in monthly installments like rent over a period of not more than twenty years. Under the 1939 amendments, a simplified long-term plan to finance the construction of small homes costing not

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more than \$2500 has been provided, and families with incomes ranging from \$900 to \$1500 annually are given as long as fifteen years to pay for the home. On a home valued at \$2000, monthly payments not including taxes and fire insurance but including interest charges would amount to slightly less than \$17 or approximately \$4 per week.³⁴

Other sections of the act provide measures for financing alterations and modernizations, and for low-cost, slum-clearing projects. The latter has done much to relieve the dreadful living quarters of many workers in the older industrial centers of the nation. That this legislation has been taken advantage of by the working people is clearly shown by the facts that one-half of all F.H.A. loans during 1938 were taken out by families with annual incomes of less than \$2500, and that some 60 per cent of the purchasers of new homes during the year undertook to make mortgage payments including interest, amortization, and insurance premiums of less than \$30 per month.³⁵ The average new single-family dwelling accepted for F.H.A. insurance in 1938 was valued at \$5530, was built on a \$785 lot, had 5 rooms and, in 80 per cent of the cases, had at least a single-car garage. The F.H.A. home owner experienced an actual saving of approximately \$1000 per house over the cost of private financing.³⁶

In spite of this notable progress, it is estimated that in 1940 the nation was approximately 2,000,000 housing units short of the basic needs of the population, even after due allowances have been made for the progress experienced under the F.H.A., the United States Housing Authority, and private enterprise.³⁷ Much of this replacement must provide living communities for those who are now migratory workers. But there can be little doubt that this legislation has been among the most acceptable and least criticized of any arising during the years of the New Deal.

MISCELLANEOUS LABOR LAWS. The legislative review presented above is by no means complete, for there are to be found upon the statute books

34. *Monthly Labor Review*, vol. 46, March, 1938, p. 707; vol. 49, September, 1939, p. 636.

35. *Ibid.*, vol. 49, October, 1939, p. 858.

36. *Ibid.*, vol. 48, May, 1939, p. 1084.

37. National Housing Committee, *The Housing Market*, Washington, 1937. The U.S.H.A. program recently has accounted for about half as much construction as has been undertaken by the F.H.A.

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innumerable other laws affecting in some measure the status of the working man or woman. Among the more important are federal laws affecting the work of federal employees and maritime workers, and the Byrnes Act prohibiting the transportation of strikebreakers. The last-named act, passed originally on June 24, 1936 and amended on June 29, 1938, makes unlawful the interstate transport of any person employed for the purpose of obstructing peaceful picketing during a labor controversy affecting wages, hours, or working conditions, or interfering with the exercise of any employees' right of self-organization or collective bargaining.³⁸ Also worthy of note are the miscellaneous state laws requiring the payment of wages and restricting the employment of labor at various occupations.³⁹ In addition, there are the numerous public anti-picketing ordinances and laws restricting assemblage and the rights of free speech. The most significant of these will be dealt with in greater detail in the following chapter.

Questions for Class Discussion

1. Why have child labor laws been among the first everywhere to be included in labor legislation programs?

2. In view of the great advances made in technological processes and scientific management, are child labor laws still needed? Which type of law is the more effective, a state or a federal statute, and why?

3. How has the Fair Labor Standards Act of 1938 promoted the cause of federal child labor legislation?

4. Review briefly the development in the United States of protective legislation for women. What is the present status of state laws? A federal law?

5. Is the slogan "equal pay for equal work" sound advice? Discuss some of the more important economic implications of situations where men and women are not paid equal pay for equal work.

6. Are minimum wage laws for women sound in theory? If it is sound economics to establish minimum wages for women, does the same reasoning apply to men?

7. Point out several significant difficulties with which employers in some states must contend if these minimum wage levels are not uniform from

38. United States Code, Title 18, Sec. 407a (amended by Public no. 779, 75th Congress, 3d Session).

39. For a summary of the state laws requiring wage payments at specified times see *Monthly Labor Review*, vol. 47, December, 1938, pp. 1297-311.

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state to state. Would lack of uniformity in the minimum wage level from state to state be positive evidence of unfair competitive advantage?

8. Should wage levels be the same for the same or similar work in all parts of the country? Where, if at all, would you urge that exceptions be made, and why?

9. Theoretically, what influences may the Fair Labor Standards Act of 1938 have upon (a) labor costs, (b) production or per-unit costs, (c) wage levels, and (d) the level of prices.

10. What influence would a free migration of workers from abroad into the United States have upon (a) wages, (b) the unemployment problem, and (c) prices?

11. What were the general objectives of the National Industrial Recovery Act? Develop the theory held by the framers of this program, explaining why certain privileges were given to the employers under the law, while others were extended to employees.

12. Why was the famous section 7(a) written into the N.I.R. Act? Was this a reasonable guarantee? Why were not equal guarantees extended to employers?

13. Was the N.I.R. Act sound in theory? In practice? What has been its influence upon more recent legislation, or was the law (together with its philosophy) buried with the Schechter Case?

14. Discuss critically the economics of long-range versus short-run planning. Is the use of public works program as a means of meeting the unemployment problem valid? What dangers can you foresee in the optimistic pursuit of this policy?

15. In view of recent developments in the field of industrial relations, what major weaknesses have been found in the National Labor Relations Act as originally passed in 1935? Have these deficiencies been corrected? What other changes do you think should be made before the act can meet successfully the general objectives which were set before the Board at the time of the act's creation?

16. Follow step by step through the procedure which must be pursued in presenting a local case of which you may know, or in which you are interested, before the case is actually placed before the N.L.R. Board in Washington. What penalties are attached for non-compliance with the board's final ruling?

17. Do you consider that the unfavorable action taken by a few states in passing or amending their respective state labor relations acts represents a definite and permanent trend away from this type of labor legislation?

18. Summarize the major characteristics of recent legislation which

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might, with reasonable certainty and logic, be termed "new deal legislation." Why have so many new laws come almost all at once?

19. Is it sounder economy to have labor make badly needed gains through labor legislation, or through labor organization? If choices of action were open to the employer, the employee and the public, what course would each party choose?

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Chapter 31

THE COURTS AND LABOR RELATIONS

¶ **LABOR LAW.** The field of labor law is so vast and complex that we shall not attempt here to do more than to suggest a few of its broad principles as revealed mainly by far-reaching decisions of the Supreme Court of the United States. Through the past, especially during the decade preceding 1940, these major principles gradually have been formulated by the time-honored processes of court action. Moreover, they have been modified by legislation which also has been interpreted by the courts. Often the courts have construed legislation so as to make it conform to their own notions of the common law.

The principles of law thus crystallized and interpreted refer chiefly to the legality of labor organizations and their methods, as well as to the methods of those opposing unionism; to the constitutionality of minimum wage and maximum hour laws; to that of collective bargaining and social security legislation enacted under the New Deal; and finally, to labor's rights of free speech and assemblage. The outline presented here is of necessity brief; nonetheless the subjects covered suggest the value and limits of the approaches to labor problem solutions reviewed in preceding chapters of this book.

LABOR ORGANIZATIONS AND THE CONSPIRACY DOCTRINE.¹ The right to collective bargaining so clearly guaranteed by the National Industrial Recovery Act and the National Labor Relations Act has been the product

1. In an approach to the problems of this field, it is important to remember that rules of law with respect to the strike, picket, and boycott differ from state to state, ranging from those imposed by a strict jurisdiction such as Massachusetts to those of liberal jurisdictions such as California. Where the federal courts have jurisdiction, the federal rule (which may differ from state laws) is applicable.

of many years of slow and uncertain development. In the United States the old common law doctrine of conspiracy implied that an act which was entirely legal if entered into by one workman might become illegal if several workers combined to perform the act. Thus, for many years in this country combinations of working people were denounced as being injurious to the public at large because they were harmful to employers.

1. *Labor Organization*. But the legality of labor organizations and organizations of employers is no longer questioned in the United States.² A combination of workers is now deemed legal if its primary motive is to benefit itself through lawful means. It becomes an illegal "conspiracy" if its primary purpose is to injure others.³ In other words, combinations of workers are now generally considered legal, but the methods which they employ in making effective their collective action are still greatly circumscribed. In 1921 the United States Supreme Court reversed the federal rule forbidding the right to strike for a closed shop, stating that labor organizations have a clear legal right to undertake the unionization of workers in nonunion plants, even where they have no members, so long as they keep within the limits of lawful propaganda and other lawful means.⁴ Although several states had gone further in permitting picketing and the boycott to effect a closed shop, this liberalization of the federal rule was a signal victory for the unions, but it imposed serious limitations on certain other union activities.

This 1921 decision was but a step in the gradual liberalization of the attitude of most American courts, a process which continued to develop during the decade preceding the advent of the New Deal legislation. The privilege of collective bargaining (if the employer were willing), the right to strike (but under definite restrictions), and the right to boycott within definite limits, by 1933 had become fairly well established before

2. *Commonwealth v. Hunt*, 4 Metcalf 111 (Mass. 1842).

3. Under the laws of some twenty-two states mere membership in revolutionary unions may be an offense punishable by imprisonment, because of what is thought to be the primary purpose of such organizations. (*U.S. v. Swellgin*, 254 Fed. 884 [1918]; *In re Olson*, 4 Fed. 2nd 417 [1925], and other cases.)

4. *American Steel Foundries Company v. Tri-City Trades Council*, 257 U.S. 184, 42 Sup. Ct. 72 (1921).

the courts in most states. For the employer, the rights to form employers' associations,⁵ to lock out workers,⁶ to manage or operate their own plants,⁷ to discriminate against union workers,⁸ to use yellow-dog contracts,⁹ and to organize company-dominated unions had been established in similar fashion.

2. *Strikes*. Interpreted as merely the act of quitting work collectively, the strike is recognized as legal. But strikes generally imply concerted action to enforce certain demands, thus introducing the element of purpose or motive. While some courts refuse to hold unlawful an act that is otherwise lawful because of the motive behind it,¹⁰ other courts place limits upon the ends for which men may strike. Strikes for the primary purpose of injuring the employer or nonunion workmen are generally considered illegal, and all courts will prohibit acts involving physical intimidation or coercion.

Although the law of strikes in the United States is characterized by a maze of conflicting decisions, some general tendencies have appeared in judicial opinion in recent years. Except where such action is prohibited by statute, as was the case under the Kansas Industrial Court Act of 1920, strikes for the purpose of increasing wages and decreasing hours are considered legal;¹¹ while strikes to gain a closed shop,¹² sympathetic strikes,¹³ strikes against the use of nonunion material, and sit down strikes are generally illegal, except in a few states, including California, where all strikes insofar as they involve merely the quitting of work in

5. *Cote v. Murphy*, 159 Pa. 420, 28 Atl. 190 (1894).

6. *Sensheimer v. United Garment Workers*, 77 Hun. (N.Y.) 215, 28 N.Y. Supp. 321 (1894); and *McGrath v. Norman*, 221 App. Div. 804, 223 N.Y. Supp. 288 (1927).

7. *City of Chicago v. Sturges*, 222 U.S. 313, 32 Sup. Ct. 92 (1911).

8. *Adair v. U.S.*, 208 U.S. 161, 174, 28 Sup. Ct. 277, 180 (1908).

9. *Hitchman Coal and Coke Co. v. Mitchell*, 245 U.S. 229, 38 Sup. Ct. 65 (1917); and *Rice, Barton and Fales Machine Co., et al. v. Willard*, 242 Mass. 566, 136 N.E. 629 (1922).

10. *Boyson v. Thorn*, 98 Cal. 578; *J. F. Parkinson Co. v. Building Trades Council*, 154 Cal. 1027 (1908).

11. For cases covering this point see E. S. Oakes, *Organized Labor and Industrial Conflicts*, especially Sections 263 and 266.

12. Cf. Edwin E. Witte, *The Government in Labor Disputes* (1932), pp. 23-6.

13. Cf. *ibid.*, pp. 26-30.

concert are still legal. Whereas, in the early years of the nineteenth century no man was at liberty to "combine, conspire, confederate, and unlawfully to agree to regulate the whole body of workmen," and combinations of workmen, whether designed to benefit the workers or to injure the employers, were illegal, the general view today is that "whatever one man may do alone, he may do in combination with others, provided they have no unlawful object in view."

Thus, motive becomes the central factor in determining the legality of strikes. If the dominant motive is to benefit the workers, that is, if labor organizations strike for higher wages, shorter hours, and improved conditions of employment and employment relations, their action is considered legal. "A peaceable and orderly strike not to harm others, but to improve their own conditions, is not a violation of law." On the other hand, strikes are not legal if the object is to inflict injury on others or if they are accompanied by violence and coercion. Not motive alone but conduct as well became the criterion of legality in the courts of the United States, when, at the close of the World War, police and fire departments in several American cities organized and struck. Since then there has been a growing tendency to look upon the acts of public servants in organizing as entirely proper, but to condemn all strikes of such workers as a violation of public trust and responsibility.

3. *Picketing*. The effectiveness of strikes quite obviously depends upon the success of the strikers in preventing the employer from securing new employees to take their places. Peaceful, nonintimidating picketing was legalized in Great Britain by the Trade Disputes Acts of 1906 and 1929, and since 1921 it has also been generally considered legal in the United States, although there is a marked difference of judicial opinion. It is the principal means by which striking workers persuade the new workers to join them, or prevent old ones from working until their demands have been met. The use of persuasion generally has been held legal, but even "moral" as distinguished from "physical" intimidation and coercion has been condemned by some courts.

Chief Justice Taft and Justice Brandeis have presented two opposing points of view regarding the law on matters of picketing. Chief Justice Taft used the word "picketing" in a sense which connoted "intimida-

tion" in an opinion which prohibited picketing, but permitted the stationing of one "missionary" at each entrance of the plant to persuade peaceful workers to join the strike.¹⁴ In the case under review, violent methods were used, and the attitude of the pickets was said to have been continuously threatening, with the result that employees and would-be employees were put in fear, and the operation of the plant was obstructed. According to the opinion of the Court in this case, there are limits beyond which even persuasion and communication may not go without violating the right of those who are to be influenced. Protection from annoying importunity and intimidation was said to be the primary right of the employees in their choice to work for whom they will, while the employer was said to be entitled to free access to his employees as an incident to his property and business. "In going to and from work, men have a right to as free a passage without obstruction as the streets afford, consistent with the right of others to enjoy the same privilege."

But in the light of dissenting opinions and recent decisions Chief Justice Taft's ruling in the Tri-City case can hardly be accepted as a complete statement of the present law. Indeed it has been criticized widely as having confused "annoying persuasion" with "physical intimidation."¹⁵ Chief Justice Taft thought that the mere moral intimidation by force of numbers made picketing objectionable. Justice Brandeis, however, considered mere "dirty looks" unaccompanied by physical threat as not constituting intimidation. A dictum in the Senn case (see pages 1016-7) suggested that an antipicketing ordinance might, in fact, raise a serious constitutional question of freedom of speech—that

14. *American Steel Foundries Company v. Tri-City Trades Council*, 257 U.S. 184, 42 Sup. Ct. 72 (1921). In this case Chief Justice Taft expressed the majority opinion of the Court in stating that it is lawful for former employees on strike and their fellow labor union members to have a single representative ("missionary") at each entrance to the place of work for the purpose of persuading other workers not to work.

In *Truax v. Corrigan*, 257 U.S. 312, 42 Sup. Ct. 124 (1921), decided only a few weeks after the Tri-City case, the Court failed to uphold (by a five to four decision) an Arizona state law legalizing mass picketing.

15. Cf. the dissenting opinion of Mr. Justice Brandeis in the Truax case, and also the majority opinion of the Court in *Senn v. Tile Layers Protective Union* cited below.

the constitutional protection of freedom of speech might condemn state antipicketing statutes. Indeed (as Justice Brandeis pointed out), the Fourteenth Amendment to the Constitution does not prohibit the passage of statutes authorizing picketing and publicity. In the absence of such a statute a labor union may publicize a labor dispute because freedom of speech is a constitutional right. This principle was emphasized further in the Handbill Cases of 1939 considered on pages 1044-5 of this chapter.

The law and court decisions governing picketing in the various states are conflicting. Occasionally a court will recognize an unlimited right to strike for any purpose but prohibit the use of weapons whereby labor attempts to make the strike effective. Thus, California courts, which recognize both the strike and the secondary boycott as legal, until 1935¹⁶ condemned picketing as necessarily intimidating and, therefore, illegal. The courts of several other states have held the same view, and some have statutory provisions against picketing. Peaceful picketing is lawful in many states. It is extremely difficult to determine where persuasion ends and intimidation begins, and this fact accounts for much of the conflict of judicial opinion.

Despite the suggestion in the Senn case that the right to picket peacefully may be a constitutional right, some courts still support the view that peaceful picketing is impossible. One court ruled in 1921: "There is no such thing as peaceful picketing. The very fact of establishing a picket line by appellants is evidence of their intention to annoy, to embarrass, and to intimidate the employees of the appellee company, whether they resort to violence or not. The decisions of the Supreme Court have abundantly established that as the law of the state."¹⁷ In the words of another (1905): "There is and can be no such thing as peaceful picketing, any more than there can be chaste vulgarity, or peaceful mobbing, or lawful lynching."¹⁸

16. *Lisse v. Local Union No. 51, Cooks, Waiters and Waitresses*, 2 Cal. (2d) 312 (1935). (Picketing is legal when acts go no further than persuasive inducement.) This order reversed earlier cases which held all picketing illegal.

17. Decision of the Appellate Court in Chicago, June 19, 1921, *In re the Striking Employees of the American Cigar Company*.

18. *Atchison, T., and S. F. Ry. v. Gee*, 139 Fed. 582 (1905).

In other cases, such as that involving, in 1937, the picketing of the establishments of advertisers in the Brooklyn *Eagle* by members of the American Newspaper Guild during the course of a strike of Guild members, the courts were not definite in their announcement of principle. In one instance involving the picketing of an advertising beauty parlor by a woman who depicted an ugly make-up and carried a sign stating she was "once a beautiful woman," the court found that the union had "misrepresented the situation and attempted by intimidation to injure or destroy the plaintiff's business."¹⁹ In another case a union, in its effort to obtain a closed-shop contract with a dairy company, picketed a grocery store handling products of the dairy. In so doing, banners were carried urging the public to buy only union dairy products. The Indiana State Supreme Court found that the statements appearing on the banners of the union picketers were misrepresenting the facts, since all dairies in the community employed both union and nonunion workers.²⁰ It was therefore ruled that picketing involving the use of false statements or misrepresentation of facts concerning a controversy was unlawful in that state. In still another state, New York, picketing by a labor union to compel a corporation to employ members instead of its stockholders was held lawful in a 1939 decision of the New York Court of Appeals.²¹

More recently, however, the courts have further clarified their attitude toward picketing activities of union members. The older views expressed in the cases cited above are not often repeated in current rulings. In a decision handed down in 1937, the United States Supreme Court held that peaceful picketing was lawful "whether engaged in singly or in numbers,"²² and in New York the Court of Appeals ruled that the secondary boycott enforced by picketing was legal where it involved the picketing of retailers who insisted upon selling the goods of a boycotted

19. *Ibid.*

20. *Wiest v. Dirks*, 20 N.E. (2d) 969 (1939). Note that the Indiana case is consistent with *Goldfinger v. Feintuch* in simply prohibiting misrepresentation. Fraudulent representations or libel are actionable torts and can be reached that way. Equitable relief by injunction may be obtained under certain conditions.

21. *Boro Park Sanitary Live Poultry Market v. Heller*, 21 N.E. (2d) 687 (1939).

22. *Senn v. Tile Layers Protective Union*, 301 U.S. 468, 57 Sup. Ct. 857 (1937).

producer.²³ This ruling carried the proviso that the picket shall boycott only the goods of the producer and not the retailer generally. In other words, the goods of the producer may be followed to the retail store and boycotted there.

In principle, then, in the absence of statutes to the contrary, picketing as such at present is generally deemed lawful. When it is entered into in the form of peaceful persuasion without intimidation it is clearly legal. But mass picketing, coercion, intimidation, or misrepresentation of the facts concerning a labor dispute, are generally considered to be illegal, although just when persuasion gives way to "moral" or physical intimidation, in the final analysis, often depends upon the personal judgment and conviction of the judge.

4. *Boycott*. The legal status of boycotts has been, perhaps, more definitely fixed than that of strikes or picketing, although here also there remains a considerable body of conflicting opinion. In all cases motive is invariably the deciding factor. Boycotts organized with intent to injure are held illegal. In the United States, courts have usually condemned boycotting as illegal on the ground that all boycotts imply an effort to coerce third parties and are, therefore, conspiracies limiting or obstructing the exercise of constitutional rights that protect life, liberty, and property. It had been decided prior to the Clayton Act that the use of secondary boycotts and the publishing of lists of unfair dealers were within the prohibitions of the Sherman Act, without reference to the matter of peaceful persuasion or threats of force. The primary boycott, if peaceful, was viewed as legal in many jurisdictions. The distinction is often immaterial in practice, since it is impossible to conceive of a successful boycott not involving a third party.²⁴

The Danbury Hatters' case in 1908 gave a serious blow to the employ-

23. *Goldfinger v. Feintuch*, 276 N.Y. 281 (1937).

24. This statement needs modification. Suppose X employer has a dispute with Y union and Y union pickets and persuades Z consumer not to trade with X. This situation still involves a primary boycott affecting a third party. It becomes secondary under general terminology (in the same dispute) when Y union says to W manufacturer, "We will injure you in some way if you continue to trade with X with whom we have a dispute." Thus pressure is put upon W, a third party, but Z remains a "third party" also.

ment of the boycott by American trade unions.²⁵ In this case the hatters' association had interfered with interstate commerce in the products of the Loewe Company by boycotts carried on throughout the country at the points of retail distribution. This secondary boycott was responsible for a substantial decrease in the sales of the company in several states. For this action the association was subjected to a penalty three times the amount of damages found to be incurred, aggregating about \$232,000, plus interest, levied against 175 members of the hatters' union. The decision resulted in the discontinuance by the American Federation of Labor of its "We Don't Patronize" list and greatly diminished the use of the boycott.

The Clayton Act, approved October 15, 1914, amended the antitrust act of July 2, 1890, popularly known as the Sherman Act. An important change made by the Clayton Act (section 16) gives to private parties a right to relief by injunction in any court of the United States against threatened loss or damage by a violation of the antitrust laws. Picketing, boycotting, strike benefits, and advising of others to cease to patronize were declared by the act to be legal if carried on by peaceful and lawful means. On January 3, 1921, the Supreme Court of the United States rendered an important decision relative to the application of the Clayton Act in a labor case involving employees of the Duplex Printing Press Company.²⁶ The Duplex Company refused to recognize the union and employed both union and nonunion men who worked long hours and did not follow the union scale of wages. Two other companies, which had accepted the demands of the International Association of Machinists, notified the latter that they would be obliged to terminate their union agreements unless the Duplex Company would accept the same terms, thus equalizing competitive conditions. Thereupon the Machinists' Association and affiliated unions called a strike at the Duplex factory, which was ineffective, and then proceeded to boycott the products of the company in New York City and vicinity where an important market for presses manufactured by that company existed. Insofar as the workers refused to work upon a Duplex press and attempted to influence other

25. See *Loewe v. Lawlor*, 208 U.S. 274, 28 Sup. Ct. 301 (1908).

26. *Duplex Printing Press Company v. Deering, et al.*, 254 U.S. 443, 41 Sup. Ct. 172 (1921).

parties not to deal with the Duplex Company, this action involved third parties, and the legality of the secondary boycott under the Clayton law was challenged.

Two sections of the Clayton Act were in question when the case reached the United States Supreme Court. Section 6 declares that the mere *existence* and *operation* of labor unions shall not be regarded as a violation of the Sherman Antitrust law. Section 20 states that in suits between employers and employees growing out of or involving a dispute concerning conditions of employment, no injunction shall be issued to prevent people from inducing others to go out on strike, from paying strike benefits, from peaceful picketing, or from peaceful boycotting. It also provides that none of such acts shall be held to constitute a violation of any law of the United States. Concerning section 6, the majority of the Court (six out of nine) held that the provision merely assumes the *normal* objects of labor unions to be legitimate and is simply a declaration to that effect, but does not relieve such organizations from liability where they go outside their normal activities and commit acts that violate any statutes of the United States, including the Sherman Act.

With regard to section 20, the prevailing opinion interpreted the prohibition of injunctions as applying only to employers and employees directly involved in a labor dispute. The Court held further that the provisions of this section did not authorize people to instigate sympathetic strikes, picketing, and boycotting against employers wholly unconnected with the establishment primarily boycotted.

Two other United States Supreme Court decisions cut into the doctrine of the common law by awarding judgments against an unincorporated labor union on the theory that the recognition of the existence of labor unions in various federal statutes altered the common law rule of nonsuability.²⁷ The Coronado case²⁸ involved a suit to recover triple

27. This theory has been seriously criticized in 32 Yale Law Journal 59. But cf. Sturges, "Unincorporated Associations as Parties to an Action," 33 Yale L.J. 383. Unincorporated associations are not suable as separate entities at common law, it being necessary to bring an action and recover a judgment against each member individually. In the absence of a statute, this doctrine made it difficult for an injured employer to reach the funds in a union treasury.

28. *United Mine Workers of America v. Coronado Coal Co.*, 259 U.S. 344 (1922).

damages (\$2,200,000) sustained by the Bache-Denman Coal Company of Arkansas against the United Mine Workers of America, including District 21 and its officers, 27 locals and officers, and 65 individual members. The company suffered loss when a carload of coal consigned to an out-of-state dealer was burned by the miners during a pitched battle. The Court first ruled (1922) that inasmuch as the carload of coal was burned only because it was used by the employer as a barricade during the battle, there was no intention on the part of union members to interfere with interstate commerce in violation of the Sherman Act.²⁹ After thirteen years of litigation this case was finally settled out of court when District 21 of the union paid the plaintiffs a sum of \$27,500.

The climax of attempted application of the Sherman antitrust legislation was reached in the United States Supreme Court's decision in the Bedford Cut Stone case in 1927.³⁰ In 1921 several companies engaged in limestone cutting in the quarries of Indiana refused to renew working agreements with the unions, and organized their laborers upon a company union basis instead. Thereupon the union enforced a ruling which provided that none of its membership should work with stone cut by nonunion labor, which meant that work done by masons as well as by quarrymen was interrupted, thus interfering with interstate commerce. In response to the company's suit for an injunction restraining the union from applying this regulation, the Court held that the union was interfering with interstate commerce in violation of the Sherman Act.³¹

After this decision, labor's major hope was thought to rest in a possible change in the Court's personnel, a change which has become significantly effective during the past few years. These gains, however, have not been without their limitations. In an official statement from the United

29. *Coronado Coal Co. v. United Mine Workers of America*, 268 U.S. 295, 45 Sup. Ct. 551 (1925).

30. *Bedford Cut Stone Company, et al. v. Journeyman Stone Cutters' Association, et al.*, 274 U.S. 37, 47 Sup. Ct. Rep. 522 (1927).

31. The liberal interpretation of Congress' power over interstate commerce in these cases was in sharp contrast with other decisions greatly restricting Congress' power to regulate interstate commerce outside the field of labor relations. Ironically enough, ultimately, in broadening its interpretation of the power of Congress in the field of interstate commerce under the New Deal, the Court relied heavily upon the Coronado and Bedford cases.

States Department of Justice, the Assistant Attorney General late in 1939 warned labor unions they would face federal prosecution under the antitrust laws whenever they used "legal rights of association in an illegal way."³² Declaring that antitrust laws "should not be used as an instrument to police strikes or adjudicate labor controversies," the official statement pointed out that they should apply when union activities "have no reasonable connection with wages, hours, health, safety, the speed-up system, or the establishment of the right of collective bargaining." In issuing this warning to organized labor, the Department of Justice listed five types of "unreasonable restraints" as examples of union practices which would be prosecuted under law. These were:

1. To prevent the use of cheaper material, improved equipment, or more efficient methods, such as the effort to prevent the installation of factory-glazed windows or factory-painted kitchen cabinets.
2. To compel hiring of useless and unnecessary labor, such as requiring each truck entering a city to carry a member of the local teamsters' union in addition to the driver of the truck.
3. To enforce a system of graft and extortion, as when a racketeer, masquerading as a labor leader, interferes with the commerce of those who will not pay him to leave them alone.
4. To enforce illegally fixed prices, such as is indicated in the Chicago milk case where a labor union is charged with combining with distributors and producers to prevent milk from being brought into the city by persons who refuse to maintain illegally fixed prices.
5. To destroy an established and legitimate system of collective bargaining, as is involved when one union makes war on another union by attacking employers who deal with that union.

Under this newly formed policy, the United States Department of Justice has proposed to enforce the antitrust laws from all sides.

5. *Blacklist.* The majority of states have statutory provisions against the practice of blacklisting, but until recently such laws have been ineffective because of the difficulty of producing satisfactory evidence against employers who can use the blacklist secretly. In actual practice the blacklist is still legal where, as is usually the case, it consists merely in the exchange

32. Statement of Assistant Attorney General Thurman Arnold, Associated Press release under date of November 19, 1939.

of information and leaves each employer free to act on his own judgment. Most of the antiblacklist statutes merely prohibit the circulation of information as to who are members of unions, or willful attempts and combinations to prevent persons from securing employment. In view of the absolute right of the employer to hire and fire, he is apparently entitled to receive from former employers information concerning an employee and can, therefore, easily circumvent the provisions of the statutes. It is sometimes held that the person who circulates information about an employee's union affiliation and activities may be punished, but the employer who acts upon such advice is within his legal rights. The telephone and other modern facilities for communication, moreover, make it possible to institute an effective blacklist system that cannot be detected easily, even if earnest attempts are made to enforce the law.

The same object gained by the blacklist can be achieved by using the whitelist or an employment clearance card that must be presented to obtain employment and is surrendered while in the employ of the company. Prior to the adoption of the N.I.R.A. and the N.L.R.A., there was no redress under the law for the wage earner discharged for union sympathies and activities, nor were statutes constitutional that aimed to prevent employers from coercing men into surrendering union affiliation on the threat of discharge. The blacklist and the whitelist can still be applied but they must be applied secretly, whereas the boycott can be used in public demonstrations, thus placing the employer at a distinct disadvantage. The legality of the blacklist depends upon motive or intent; but here, even more than in the case of the strike and boycott, intent is difficult if not impossible to determine.

UNIONS AND THE INJUNCTION. An injunction is an order issued by a court of equity for the purpose of preventing injury to a person or to property or of preserving the existing conditions until the final determination of rights. This restraining power of the courts has assumed great importance in relation to the use of strikes, boycotts, and picketing. Viewing the injunction as an extraordinary remedy to be used only when property and personal rights are imperiled and available remedies at law are inadequate to meet the exigency, both Great Britain and the United States have prohibited its use between employers and employees in any

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case growing out of a dispute concerning terms and conditions of employment, unless injury through violence is threatened. The year 1883 marks the first recorded opinion of an injunction in labor litigation, and even at the close of the last century its use in labor disputes was exceptional.³³ Until recent years, however, the courts developed a tendency to issue orders restraining the use of the unfair list, boycott notices, and similar practices of organized labor. A violation of such an order may be punished by fine or imprisonment as constituting a contempt of court and, in the absence of statute, trial by jury is not allowed.

The scope of an injunction may be very comprehensive and its effects far-reaching, since it can be applied to any act that the court thinks may result in irreparable injury to property. In the *Buck Stove and Range* case, for example, the writ prohibited the "officers of the American Federation of Labor, officers and members of affiliated unions, friends, sympathizers, counsel, conspirators, and co-conspirators" from making any reference whatever to the fact that the company had ever been involved in any dispute and disturbance with labor, or to the fact that the said company had been considered unfair, had ever appeared on the unfair list, or on a "we don't patronize" list of the American Federation of Labor or any other organization. The writ also enjoined any person from referring either directly or indirectly to any such dispute by printed, written, or spoken word. During the bituminous coal strike of 1919, the Department of Justice asked and was granted by Judge Anderson of the United States District Court at Indianapolis an injunction restraining the officials of the United Mine Workers of America from calling a strike and from distributing strike funds. The order went further and instructed the officials to have the men return to work. This was done, but with little or no effect. Thus courts have even enjoined the right to quit work under extraordinary conditions. But such an injunction raises a serious constitutional question under the Thirteenth Amendment prohibiting involuntary servitude.

Considerable relief was expected from the Clayton Antitrust Act of

33. *In re Debs* (158 U.S. 564) the United States Supreme Court firmly established the court's power to issue injunctions and to punish their violation. (See U. S. Bureau of Labor Statistics, *Handbook of Labor Statistics*, 1936 ed., pp. 428-33.)

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1914, which provided for a trial by jury in contempt cases where the offense charged is also indictable as a crime, and specified that injunctions issued by the federal courts shall not prohibit the quitting of work, the refusal to patronize, peaceful picketing, and peaceful persuasion, and that such acts are not to be considered violations of any law of the United States, whether done singly or in concert, provided they are not done in an unlawful manner. The Clayton law was characterized as labor's Magna Charta because it contained a number of potentially significant declarations. The labor of a human being is declared not to be a commodity or article of commerce. Labor organizations are not be construed as illegal combinations or conspiracies in restraint of trade under federal antitrust laws. No preliminary injunction is to be served without notice to the opposite party, and no temporary restraining order without similar notice, unless it is evident that immediate and irreparable injury will result before notice can be served and a hearing held. But many judicial decisions disillusioned the workers, and they have found that the substantive rights of employers and employees were not changed materially by the Clayton law. Moreover, this federal law does not offer relief from the abusive use of the injunction by state courts.

On December 19, 1921, the Supreme Court of the United States, by a five to four decision, declared unconstitutional the 1913 Anti-Injunction Law of Arizona, which had been sustained by the state courts. The case (*Truax v. Corrigan*) was an appeal from the decision of the Supreme Court of the state of Arizona refusing an injunction in a labor dispute. An injunction had been asked to prevent picketing, the advertising of a strike, and an alleged conspiracy and boycott to injure the plaintiffs in their restaurant business. The complaint alleged the circulation of handbills containing abusive and libelous charges against the plaintiffs, their employees, and their patrons, as well as intimations that harm would result to those patronizing the restaurant.

The majority opinion of the United States Supreme Court held that the actions of the strikers were not lawful persuasion but coercion, a violation of the fundamental principle that the plaintiffs' business is a property right, and that free access for employees, owners, and customers to the place of business is incident to such a right. A law that operates to

make legal such actions "deprives the owner of the business and the premises of his property without due process of law and cannot be held valid under the Fourteenth Amendment," the Court decided. The law, moreover, did not give citizens equal protection, but conferred class privilege, with the result that the property right of another class was limited.

The minority opinion held that the law did not involve arbitrary and unreasonable classification since the relation of employer and employee has been accepted as a basis for special classification, nor was there any abridgment of the Fourteenth Amendment to the Constitution of the United States.³⁴ The dissenting opinion contended also that the extraordinary relief by injunction may be denied to a class through the exercise of the police power when the legislature of the state deems it necessary to make such denial in the interest of public welfare. The opinion of Justice Holmes is significant: "Legislation may begin where an evil begins. If, as many intelligent people believe, there is more danger that the injunction will be abused in labor cases than elsewhere I can feel no doubt of the power of the legislature to deny it in such cases." It is this abusive use that has led organized labor to demand that injunctions shall not be applied in disputes between employers and employees and that trial by jury shall be provided in contempt cases. In a few cases injunctions have been requested by unions to protect trade agreements.³⁵

Frequent attempts had been made to have Congress enact an anti-injunction law, but all met without success until 1932. Finally, on March 23 of that year a federal anti-injunction law defining and limiting the jurisdiction of federal courts was approved by Congress. This federal act of 1932, commonly known as the Norris-La Guardia Act, attempts to

34. It is obvious that the decision in *Truax v. Corrigan* was rendered ineffective, if not technically overruled, by *Senn v. Tile Layers Protective Association*.

35. See the following cases: *Schlesinger v. Quinto*, 192 N.Y. Supp. 564; *Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, S. P. Lines in Tex. and La. et al. v. Texas and N.O. Ry. Co. et al.*, February 6, 1928, U. S. District Court, S.D. Texas, 24 Fed. 2nd 426; *Goldman v. Cohen*, Sup. Ct. of N.Y., March 2, 1928, 222 App. Div. (N.Y.) 631; *Carpenters' Union v. Citizens' Committee to Enforce Landis Award* (Chicago), 333 Ill. 225; 164 N.E. 393.

apply to labor a "rule of reason" similar to the rule which has been applied to corporations. After forbidding the issuance of injunctions by any federal court except under the terms set down in the act (section 1) and announcing the federal policy to be one of assuring labor's right to collective bargaining (section 2), antiunion contracts are outlawed and are made unenforceable in any federal court (section 3). Sections 4 and 5 of the law have reference to the issuance of injunctions prohibiting persons from doing certain acts either singly or in concert. Association or union officers are no longer held responsible for the unlawful acts of individuals by section 6, while section 7 stipulates that no injunction shall be issued until after proper hearings and testimony in open court have been held. Section 8 provides that an earnest effort to settle the dispute must have been made before injunctive relief will be granted, and section 9 provides that when such relief has been issued, it shall prohibit only such specific acts as have been expressly protested to and accepted by the court. The following two sections (10 and 11) provide for the right of trial by jury. Section 12 permits a demand for the retirement of a judge whenever an attack has been made upon his character or conduct. Other sections make the usual provisions relative to definitions and questions of constitutionality.

As a Congressional measure, this law is applicable to federal courts only. While no major test of its constitutionality had been made by 1940, the United States Supreme Court has implied, in several recent cases, its constitutionality,³⁶ and several federal courts have construed it as a valid exercise of Congressional authority. In discussing the right of Congress to enact legislation limiting the jurisdiction of the federal courts in labor disputes, one federal court recently declared that "all federal courts inferior to the Supreme Court are dependent for their very creation upon the will of Congress, which may either destroy it in whole or in part, or may limit as it deems advisable such jurisdiction."³⁷

CONSTITUTIONALITY OF CHILD LABOR LAWS. The modern state acts as a

36. *Lauf, et al. v. E. G. Skinner and Co.*, 303 U.S. 323, 58 Sup. Ct. 578 (1938); and the *New Negro Alliance v. Sanitary Grocery Co.*, 303 U.S. 552, 58 Sup. Ct. 703 (1938).

37. *Cinderella Theater Co., Inc., et al. v. Sign Writers' Local Union No. 591, et al.*, 6 Fed. Supp. 164 (1934).

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guardian for the benefit and protection of children and adults. Because children are wards of the state, the constitutionality of state legislation designed to protect their interests is not questioned. A child is legally incapable of negotiating a free contract and is not lawfully responsible for the performance of contractual relations. Therefore, child labor laws do not deprive such persons of freedom of contract without due process of law. As trustee of children's interests and guardian of the nation's future citizenry, the state may legitimately use the police power to regulate or prohibit the employment of minors, enforce compulsory school attendance, and even take a child away from its parents when this seems desirable. Limitations that the courts would not sanction for adults are readily approved when children are involved.

THE CONSTITUTIONALITY OF LAWS LIMITING HOURS OF EMPLOYMENT FOR WOMEN. Legal restrictions upon the hours, wages, and physical conditions of employment for women have not gone unchallenged. In fact, such laws have frequently been attacked as in conflict with the provisions of state and federal constitutions. Obviously labor legislation of this nature definitely abridges the right of women to use freely their own labor power. Such an abridgment is apparently possible under the exercise of the police power of the state if it is proved that the public welfare is threatened through injury of the class of workers covered by the law in question. The attitude of the courts is revealed in a number of important cases.

Judicial opinion adverse to legal restriction of hours of employment for women is based upon the contention that such action is a direct contravention of a woman's freedom to bargain and dispose of her labor for as many hours a day or week as she desires. Legal limitations thus deprive a woman worker of freedom of contract without due process of law. Not only is a woman deprived of the valuable property right of selling her labor as she sees fit, but she is discriminated against through this class legislation because it denies her rights and privileges usually accorded male workers. Thus reasoned the State Supreme Court of Illinois in 1895, which held unconstitutional an eight-hour law for women in factories.³⁸ The Court, moreover, discovered no necessary relation between the limitation imposed and the health, safety, and welfare of the public.

38. *Ritchie v. People*, 155 Ill. 98, 40 N.E. 454 (1895).

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Such a decision, of course, clearly implies the existence of equality of bargaining power between employers and employees and complete freedom of will and action on the part of the workers.

Favorable decisions, on the other hand, frankly acknowledge the necessity for recognizing economic and social conditions and the influence of these upon the relative status of employers and employees, as well as upon the welfare of the community. Progressive judicial opinion takes cognizance of the fact that employers enjoy superior bargaining strength and invariably dictate the terms of the labor contract. Hence the community is justified in regulating the hours of employment for women in the interest of the general welfare. In 1908 the United States Supreme Court upheld the constitutionality of the Oregon ten-hour law as a health measure.³⁹ In an exhaustive and masterly brief, Louis D. Brandeis and Miss Josephine Goldmark showed the actual effects of excessive hours of work on the health of women. Not unexpected, therefore, was the action of the State Supreme Court of Illinois in 1910 in sustaining the constitutionality of that state's ten-hour law for women passed in 1909, as a measure designed to protect the public health.⁴⁰ Here again the Court apparently recognized factual evidence rather than legal precedent and made the significant remark: "What we know as men, we cannot profess to be ignorant of as judges."

That restriction of hours of employment may be pushed to even more reasonable limits was assured in 1915 when the United States Supreme Court upheld the constitutionality of the California law, which fixed an eight-hour day as a maximum for women workers.⁴¹ Since that time, numerous maximum hour laws for women have been validated by the Court.

Attempts have been made to defeat hour legislation for women on the ground that it is "class legislation," discriminating unreasonably between various classes of workers and so denying equal protection of the laws promised to all persons by the Fourteenth Amendment to the Federal Constitution. Opposition has also been based upon the contention that

39. *Muller v. Oregon*, 208 U.S. 412, 28 Sup. Ct. 324 (1908).

40. *Ritchie v. Wayman*, 244 Ill. 509, 91 N.E. 695 (1910).

41. *Miller v. Wilson*, 236 U.S. 373, 35 Sup. Ct. 342 (1915).

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these statutes are unfair in that they result in "unreasonable classification" of industries by including certain ones and exempting others. Manufacturing industries and mercantile establishments are often included, whereas agricultural labor and domestic service are invariably exempted. Also the regulation of hours of labor by commissions has been attacked as substituting a commission for court authority on questions of fact, thus depriving persons of property without "due process of law." Such contentions, however, have not had great weight with progressive jurists. It is now generally conceded that the state may through the exercise of the police power limit woman's theoretical freedom of contract in the sale of her labor.⁴² This preferential treatment issued from the conviction that women do not as a class enjoy equality of bargaining power with their employers and, furthermore, are peculiarly susceptible to health hazards from excessive hours of work. Because the vitality of the race depends so largely upon the health of women, their protection in employment relations is socially imperative.

CONSTITUTIONALITY OF LAWS RESTRICTING HOURS OF EMPLOYMENT FOR MALES. The constitutionality of laws governing employment relations and conditions for male workers has depended upon the attitude of the courts toward the relative merits of the right of free contract in the sale of one's labor-power and the necessity for expediency of restricting this traditional right through the exercise of the police power in the interest of social welfare and progress.⁴³ Our discussion above has shown how the police power may be used to protect women and children from unreasonable hours of labor. Less certainty characterizes the attitude of the courts with regard to the legal regulation of hours of labor for adult males. Here the constitutionality depends upon the purpose of the law under consideration and the nature of the industries included. Legislation limiting the hours of work for men in public employment is sustained, as also is legal control of private industries involving the safety of the public. The courts are not in agreement concerning legislation

42. *Stettler v. O'Hara*, 69 Ore. 519, 139 Pac. 743 (1914).

43. The term "police power" refers to a somewhat indefinite and elastic power of the government to abridge the right of liberty or property when such action is deemed essential to public welfare.

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controlling private enterprises that endanger the health, safety, and welfare of employees alone. Nevertheless, laws that regulate hours of labor in private employments essentially hazardous to the health, safety, and welfare of employees, such as mining, are viewed with increasing favor by the courts, as is witnessed by the fact that by 1938 sixteen states and the territory of Alaska had enacted maximum eight-hour laws for the protection of workers in mines. The way to an extension of constitutionality to nonhazardous industries was paved when the United States Supreme Court in 1917 upheld the Oregon ten-hour law.⁴⁴

Whether or not the federal government has power to establish minimum wage and maximum working-hour standards for workers whose products do not enter interstate commerce still remains to be seen. The extension of the commerce and police powers of the federal government as contained in the Fair Labor Standards Act of 1938 undoubtedly will be tested soon by the supreme tribunal of the nation. In the meantime, there is little room to doubt the necessity and wisdom of state or federal regulation of hours of labor for adult male employees, especially in industries that affect health adversely, when employers refuse to make readjustment voluntarily or workers fail to develop sufficient organized strength to compel acceptance of the shorter workday and other forms of protection. Within reasonable limits the courts will doubtless continue to favor such action.

CONSTITUTIONALITY OF MINIMUM WAGE LEGISLATION. The fate of minimum wage laws in the United States definitely hung in the balance until 1937 because of the confusing developments in judicial interpretation. The problem here is essentially one involving the expansion of the doctrine of the police power to include the wage relation. As we have just seen, the state may use its police power to restrict freedom of contract when such action is deemed essential to the protection or improvement of the public health, morals, safety, peace, and general welfare. Does minimum wage legislation represent such a legitimate exercise of this power? In affirmation it is argued that if the state can regulate hours of employment and specify such conditions as the time, place, and manner of wage payment, it can surely go further and set a minimum limit on wages.

44. *Bunting v. Oregon*, 243 U.S. 246, 37 Sup. Ct. 435 (1917).

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When, in 1917, the United States Supreme Court, by an even division of opinion, left in force a previous decision (1914) of the Oregon Supreme Court upholding that state's minimum wage law, the constitutionality of this type of legislation seemed permanently assured.⁴⁵ The Oregon Court had definitely recognized the fact that many women are employed for long hours at excessively low wages and that such conditions gave rise to the injury of health, morals, and public welfare. Thus the same reasoning sustained this wage measure that had supported earlier laws regulating hours of employment. Favorable decisions were subsequently rendered by the supreme courts of Arkansas and Massachusetts, and also by the supreme courts of Minnesota and Washington.

Minimum wage legislation, however, was soon to meet a less happy fate. On April 9, 1923, the Supreme Court of the United States by a five to three decision decided that the District of Columbia minimum wage law was an unwarranted interference with the individual right of freedom of contract, and therefore was contrary to the Constitution of the United States.⁴⁶

The District of Columbia law was attacked upon the general ground that it authorized an unconstitutional interference with the freedom of contract included within the guarantees of the due process clause of the Fifth Amendment to the Federal Constitution. Justice Sutherland, who wrote the opinion, considered the law an infringement of freedom of contract, and he could discover no analogy between minimum wage legislation and laws regulating public utilities, public work, or methods of wage payment. Nor could such laws be sustained on the same grounds that supported legislation restricting hours of labor. He further stated that the passage of the Nineteenth Amendment had changed the political status of women and thereby tended to equalize the bargaining power of men and women.

On the other hand Chief Justice Taft insisted that "the Nineteenth Amendment did not change the physical strength or limitations of

45. *Stettler v. O'Hara*, 243 U.S. 649, 37 Sup. Ct. 475 (1917). Because he had aided in preparation of the brief in favor of the Oregon law, Justice Brandeis refrained from voting.

46. *Adkins v. Childrens Hospital*, 261 U.S. 525, 43 Sup. Ct. 394 (1923).

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women upon which *Muller v. Oregon* rests," and Justice Holmes stated frankly: "It will need more than the Nineteenth Amendment to convince me that there are no differences between man and woman or that legislation cannot take those differences into account."⁴⁷ Although they did not indicate what theory of wages, if any, was acceptable to them, the majority evidently objected to the law because it fixed wage rates without reference to the value of services rendered.

In 1926 and 1927, respectively, the minimum wage laws of Arizona and Arkansas met a similar fate, the earlier adverse decision being the determining factor.⁴⁸ It is interesting to note that the Arizona and Arkansas laws fixed an absolute statutory minimum rate of wages, while the District of Columbia law created a wage board for determining minimum wage rates. Thus both types of laws were unacceptable to the courts. In the meantime the Supreme Court of Kansas held that the minimum wage law of that state was unconstitutional as applied to adult women, and the Attorney General of Minnesota rendered a similar decision with regard to the law of his own state. As recently as 1936 the United States Supreme Court, by a five to four ruling, declared that the minimum wage law of New York state was unconstitutional on similar grounds.⁴⁹ These decisions applied only to working women and left the laws intact as applying to minors.

On March 29, 1937 this doctrine was abandoned by the United States Supreme Court in a history-making ruling on the Minimum Wage Law of the state of Washington, and for the first time state minimum wage legislation for women was approved by the highest tribunal of the land in a five to four decision.⁵⁰ The Washington law was originally adopted by the state legislature in 1913, and on two previous occasions had been upheld by the Supreme Court of the state. The case in question involved action brought by an employee (Elsie Parrish) of the West Coast Hotel

47. For an exhaustive summary of legal opinion and comment on this case, see *The Supreme Court and Minimum Wage Legislation*, published by the New Republic, Inc., New York, 1925.

48. *Sardell v. Murphy*, 269 U.S. 530, 46 Sup. Ct. 22 (1925) and *Donham v. West-Nelson Manufacturing Co.*, 273 U.S. 657, 47 Sup. Ct. 343 (1927).

49. *Morehead v. New York ex rel. Tipaldo*, 298 U.S. 587, 56 Sup. Ct. 918 (1936).

50. *West Coast Hotel Company v. Parrish*, 300 U.S. 379, 57 Sup. Ct. 578 (1937).

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Company against her employer to recover the difference between the minimum wage (\$14.50 a week for 48 hours) established under the law and the wages actually paid to her. The hotel company, in defense, challenged the Minimum Wage Act by maintaining it was repugnant to the due process clause of the Fourteenth Amendment to the Constitution of the United States, relying for support in their contention upon the precedent established in 1923 by the *Adkins* case.

In rendering this important and far-reaching decision on the Washington law, however, Chief Justice Hughes, speaking for the majority, stated that the subject demands, on the Court's part, a re-examination of the *Adkins* case. He said,

The importance of the question, in which many states having similar laws are concerned, the close division by which the decision of the *Adkins* case was reached, and the economic conditions which have supervened, and in the light of which the reasonableness of the exercise of the protective power of the state must be considered, make not only appropriate, but we think imperative, that in deciding the present case the subject should receive fresh consideration.

For both workers and students of labor legislation these new considerations were not only fresh but refreshing as well, for in them the Court found it impossible to be bound by earlier decisions:

What can be closer to the public interest than the health of women and their protection from unscrupulous and overreaching employers? And if the protection of women is a legitimate end of the exercise of state power, how can it be said that the requirement of the payment of a minimum wage fairly fixed in order to meet the very necessities of existence is not an admirable means to that end? . . .

The exploitation of a class of workers who are in an unequal position with respect to bargaining power and are thus relatively defenseless against the denial of a living wage is not only detrimental to their health and well-being but casts a direct burden for their support upon the community. What these workers lose in wages the taxpayers are called upon to pay. The bare cost of living must be met. We may take judicial notice of the unparalleled demands for relief which arose during the recent period of depression and still continue to an alarming extent despite the degree of economic recovery which has been achieved. . . .

The community is not bound to provide what is in effect a subsidy for

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unconscionable employers. The community may direct its lawmaking power to correct the abuse which springs from their selfish disregard of the public interest.

But the minority opinion formulated by Justice Sutherland, and concurred in by Justices Van Devanter, McReynolds, and Butler, did not share the view expressed in the majority opinion. It reasoned, in part:

It may be said that a statute absolutely fixing wages in the various industries at definite sums and forbidding employers from contracting for any other than those designated, would probably not be thought to be constitutional. It is hard to see why the power to fix minimum wages does not connote a like power in respect of maximum wages. And yet, if both powers be exercised in such a way that the minimum and the maximum so nearly approach each other as to become substantially the same, the right to make any contract in respect of wages will have been completely abrogated.

CONSTITUTIONALITY OF OTHER WAGE-HOUR LEGISLATION. In view of the final establishment of the validity of wage and hour laws for women and children, there can be little question that the Fair Labor Standards Act of 1938, and various state laws applying to male workers as well as females, will withstand the test of the United States Supreme Court. Up to the beginning of 1940 no such legislation had been reviewed by this tribunal, although lower courts had generally accepted such laws as a proper exercise of police power. In upholding the new Oklahoma Wage and Hour Law, the state Supreme Court ruled that the law did not violate the due process clause of the state constitution or the Fourteenth Amendment to the Federal Constitution.⁵¹ It called attention to the decision of the United States Supreme Court in *West Coast Hotel Co. v. Parrish*, observing that even though the West Coast case involved the regulation of women's wages, "logical reasoning does not suggest that the liberties of men to manage their own affairs and contracts are any more sacred than the rights of women, nor that the general health and morals, as affected by the conditions of labor of men are any less a proper subject for the exercise of the police power of the state than those of women." The Oklahoma Court concluded that "it is just as essential for

51. *Associated Industries of Oklahoma v. Industrial Welfare Commission et al.*, 185 Okla. 177; 90 Pac. (2d.) 899 (1939).

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the police power of the state to protect the health and morals of adult males as of adult females."

This reasoning, admittedly, is reaching beyond that of the Supreme Court of the United States in the West Coast case. But with changing precedents and the changed personnel of the Court itself, it appears unlikely that the inclusion of male workers under this new state and national legislation will fail, at least for long, to receive the approval of the Court.

IMPORTANT COURT DECISIONS AFFECTING NEW DEAL LEGISLATION. Recent decisions of the United States Supreme Court have been important to labor in at least three other phases of New Deal legislation; section 7a of the N.I.R.A., the National Labor Relations Act, and the Social Security program.

1. *The Schechter Case*. On May 27, 1935, the United States Supreme Court ruled in the case of *Schechter Brothers Poultry Company v. United States* that the codes of fair competition established under the N.I.R.A. were unenforceable, that the delegation of power to the president to make such codes was unconstitutional, and that the attempt to regulate business, including hours and wages of employees coming under the codes, was likewise unconstitutional. The chief question raised by the Court in connection with wage and hour regulation was: "Did the defendants' transactions (including wage payments and working hours) directly affect interstate commerce, thus becoming subject to federal regulation?" In answer the Court found that the poultry around which the business of the Schechter brothers centered had originated within the state, had come to rest within the state, was not held, used or sold by the defendants "in relation to any further transactions in interstate commerce and was not destined for transportation to other states." Arguments of the United States government that federal regulation was justifiable because hours and wages affect prices and because interstate competition prevents the individual states from regulating hours and wages were rejected by the Court. "It is not the province of the Court to consider the economic advantages of such a centralized system. It is sufficient to say that the federal Constitution does not provide for it."

What more than this did the Court need to say? It dealt a death blow

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to the "blue eagle" symbol and to the legislation which had done much to guarantee the rights of labor in collective bargaining and to raise labor's wages and shorten its working hours. But clearly this legislation had extended beyond interstate commerce and involved a delegation of power outside the limits of the federal Congress.

2. *The National Labor Relations Act.* The constitutionality of that part of the N.I.R.A. guaranteeing to labor the right of collective bargaining which was written hastily into the National Labor Relations Act in 1935 became established through five important Supreme Court decisions handed down in 1937. In the *Motorbus* case ⁵² an operator of motorbusses between the District of Columbia and Virginia discharged twenty-three drivers and garage workers because of their activities in labor organizations. When the National Labor Relations Board ordered the reinstatement of these workers, the company contended that the act attempted to regulate labor relations in all employments, whether interstate or intrastate, and thus violated the commerce clause of the Constitution. It was also argued that the act was an attempted regulation of intrastate as well as interstate commerce and therefore "the whole must fall because its provisions are unseverable." But Justice Roberts, delivering a unanimous opinion, held that the employer's argument was "plainly untenable," and pointed out further: "The Act limits the jurisdiction of the Board to instances which fall within the commerce power and if the Board should exceed the jurisdiction conferred upon it any party aggrieved is at liberty to challenge its action." The order of the National Labor Relations Board was accordingly affirmed.

The Steel case involved a labor dispute at the Aliquippa (Pa.) plant of the Jones and Laughlin Steel Corporation.⁵³ The company is the fourth largest steel company in the country, and carries on extensive interstate activities. In laying its case before the National Labor Relations Board, members of a local union affiliated with the Amalgamated Association of Iron Steel and Tin Workers of America charged that the company dis-

52. *Washington, Virginia and Maryland Coach Co. v. National Labor Relations Board*, 301 U.S. 142, 57 Sup. Ct. 648 (1937).

53. *National Labor Relations Board v. Jones and Laughlin Steel Corporation*, 301 U.S. 1, 57 Sup. Ct. 615 (1937).

criminated against union members in the discharge of several active members of the local. After a hearing the board, following its prescribed procedure, ordered the reinstatement of the discharged workers with back pay, whereupon the company refused, contending that the N.L.R.A. was unconstitutional.

In upholding the constitutionality of the act, the majority opinion of the Court ruled that the right of employees to organize is a fundamental right:

Employees have as clear a right to organize and select their representatives for lawful purposes as the respondent has to organize its business and select its own officers and agents. Discrimination and coercion to prevent the free exercise of the right of employees to self-organization and representation is a proper subject for condemnation by competent legislative authority. Long ago we stated the reason for labor organizations. We said that they were organized out of the necessities of the situation; that a single employee was helpless in dealing with an employer; that he was dependent ordinarily on his daily wage for the maintenance of himself and family; that if the employer refused to pay him the wages that he thought fair, he was nevertheless unable to leave the employ and resist arbitrary and unfair treatment; that union was essential to give laborers opportunity to deal on an equality with their employer.

The majority opinion concluded with an order to the company to reinstate and reimburse the discharged employees and with a statement of finding that the board had "acted within its competency and that the Act is valid as here applied."

The Associated Press case⁵⁴ involved the discharge of one of the company's employees, Morris Watson, in October, 1935, during a time when Watson was active in the American Newspaper Guild. When the case was brought before the board by action of the union, the Associated Press moved that the complaint be dropped. When this was not done the Associated Press withdrew from the hearings and refused to comply with the orders of the board. Before the Supreme Court the management argued that Watson's duties were not connected with interstate business since he had been employed in the New York office of the organization

54. *Associated Press v. National Labor Relations Board*, 301 U.S. 103, 57 Sup. Ct. 650 (1937).

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only, and that the act, as applied to the Associated Press "is a direct, palpable, undisguised attack upon the freedom of the press," since Watson was an employee who wrote "leads" for the press.

Justice Roberts, speaking for the majority of the Court, held that the Associated Press was an agency engaged in interstate commerce. He stated:

It is an instrumentality set up by constituent members who are engaged in a commercial business for profit, and as such instrumentality acts as an exchange or clearing house of news as between the respective members and as a supplier to members of news gathered through its own domestic and foreign activities. These operations involve the constant use of channels of interstate and foreign communication. They amount to a commercial intercourse and such intercourse is commerce within the meaning of the Constitution. Interstate communication of a business nature, whatever the means of such communication, is interstate commerce regulable by Congress under the Constitution. . . .

We think, however, it is obvious that strikes or labor disturbances amongst this class of employees would have as direct an effect upon the activities of the petitioner as similar disturbances amongst those who operate the teletype machines or as a strike amongst the employees of telegraph lines over which petitioner's messages travel.

In answer to the argument of the Associated Press that the act abridged freedom of speech or the press so clearly guaranteed in the Federal Constitution, the opinion stated:

The order of the Board in nowise circumscribes the full freedom and liberty of the petitioner to publish the news as it desires it published or to enforce policies of its own choosing with respect to the editing and rewriting of news for publication, and the petitioner is free at any time to discharge Watson or any editorial employee who fails to comply with the policies it may adopt.

But Justice Sutherland, in the minority opinion, expressed a conflicting point of view:

The destruction or abridgment of a free press—which constitutes one of the most dependable avenues through which information of public and governmental activities may be transmitted to the people—would be an event so evil in its consequences that the least approach toward that end should be halted at the threshold.

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Freedom is not a mere intellectual abstraction; and it is not merely a word to adorn an oration upon occasions of patriotic rejoicing. It is an intensely practical reality, capable of concrete enjoyment in a multitude of ways day by day. When applied to the press, the term "freedom" is not to be narrowly confined; and it obviously means more than publication and circulation.

The Trailer case⁵⁵ arose out of "the discharge of, and threats to discharge, employees because of their affiliation with, and activities in, the labor organization known as United Automobile Workers Federal Labor Union." Action against the workers was taken by the management of a large trailer manufacturing company in Detroit, the products of which are shipped widely throughout the country. The defending counsel argued before the Court that the act is not a regulation of interstate commerce, but rather one of industry and labor relations in general; that its employees in the course of performing their duties were not in commerce and did not enter into or affect the flow of commerce; and that the act is repugnant to and in violation of the First, Fifth, and Seventh Amendments to the Constitution.

But the Court decided differently. It ruled that the act was applicable to the trailer company, since manufacturing and assembling operations at the plant in Detroit were essentially connected with assembly and sales work outside the state of Michigan and since many sources of raw materials used in its manufacturing operations lay outside the state. Thereupon it upheld the ruling of the board calling for reinstatement and reimbursement of employees discriminated against by the company.

The fifth and final original Labor Board case was the Clothing Company case.⁵⁶ The Friedman-Harry Marks Clothing Company was a Virginia corporation manufacturing clothing at Richmond for shipment throughout the country. The National Labor Relations Board, after holding hearings concerning the discharge of nineteen employees who were members of the Amalgamated Clothing Workers of America, issued a cease and desist order to the company, which was protested and carried

55. *National Labor Relations Board v. Fruehauf Trailer Co.*, 301 U.S. 49, 57 Sup. Ct. 642 (1937).

56. *National Labor Relations Board v. Friedman-Harry Marks Clothing Company*, 301 U.S. 58, 57 Sup. Ct. 645 (1937).

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eventually to the United States Supreme Court. The company maintained before the Court that the act is arbitrary and capricious; that it arbitrarily discriminates against nonunion workers by practically requiring employees to join a union; that it "fosters and gives statutory sanction" to the closed shop; and that, for these reasons, it is unconstitutional.

In presenting the Court's majority opinion, Chief Justice Hughes held that, in so far as the act is applicable to the relations between an employer and employees of a manufacturer of men's clothing, it represented a constitutional exercise of the power of Congress to regulate activities which substantially affect interstate commerce.

Numerous other decisions in general strengthening still further the constitutional basis of the National Labor Relations Act have been issued by the United States Supreme Court since these five historic cases were decided.⁵⁷ In the Mackay Radio Company case the Court ruled that an employee who goes out on a strike does not thereby lose his status as an employee.⁵⁸ In the Consolidated Edison Company case the Court ruled that the National Labor Relations Board did not have the power to invalidate a contract between the company and the International Brotherhood of Electrical Workers. In this case it also held that a public utility company primarily engaged in furnishing electricity to residents of a city is subject to the N.L.R.A.⁵⁹ In the Santa Cruz Packing Company case the Court ruled that the board had jurisdiction over a company involved in unfair labor practices in spite of the fact that the company's interstate business amounted to only 37 per cent of its total production.⁶⁰

The United States Supreme Court, in three decisions rendered on January 2, 1940, has gone beyond the question of what constitutes inter-

57. For a compilation of important N.L.R.B. cases extending through the spring of 1939, see Charles Aikin (ed.), *National Labor Relations Board Cases*, 1939.

58. *National Labor Relations Board v. Mackay Radio and Telegraph Company*, 304 U.S. 333, 58 Sup. Ct. 904 (1938). See also "National Labor Relations Act: Who Are 'Employees'?" 26 Calif. Law Rev. 354 (1938).

59. *Consolidated Edison Company of New York, Inc. v. National Labor Relations Board, et al.*, 305 U.S. 197, 59 Sup. Ct. 206 (1938). See also Samuely, "Conflicts of Jurisdiction under National and State Labor Relations Acts," 27 Calif. L. Rev. 438 (1939).

60. *Santa Cruz Fruit Packing Co. v. National Labor Relations Board*, 303 U.S. 453, 58 Sup. Ct. 656 (1938).

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state commerce under the act by defining the limits beyond which the courts cannot go in reviewing actions of the N.L.R.B.⁶¹ One case involved the board's designation of the C.I.O. as the representative of about 13,000 longshoremen. The second settled a question relative to a direction for a run-off election in a representation proceeding, and the third grew out of a proceeding to enforce an order of the board requiring an employer to cease dominating an independent union and to disestablish it. In substance, in these three cases, the court ruled that the N.L.R.B. has the final decision in the matter of defining the appropriate unit, the names of unions which are to be placed on the ballot, and the election procedure to be followed. It further held that the right of judicial review is limited to cases involving unfair labor practices and to instances where the employer refuses to take some action predicated upon election results.

Even though the Court has repeatedly emphasized that the constitutionality of the N.L.R.A. must be determined upon a basis of the merits of each individual case, it has gone far enough to prove that within the law laborers are finding immeasurable protection against discriminating acts which for so many years were common practice by most employers.

CONSTITUTIONALITY OF THE SOCIAL SECURITY PROGRAM. In May, 1937, the United States Supreme Court upheld the constitutionality of the social security program in rendering decisions on three important cases. One of these cases involved a question of the legality of the federal unemployment insurance tax; a second that of the federal old-age pension tax; and a third that of the unemployment insurance law of Alabama, which establishes a precedent for all other states. In addition, it will be recalled, the constitutionality of the major part of the social security program of the American railway industry has been established by rulings of the Court.

1. *Federal Unemployment Insurance Tax Case*.⁶² Under Title IX of

61. *American Federation of Labor v. National Labor Relations Board*, 60 Sup. Ct. 300 (1940); *National Labor Relations Board v. International Brotherhood of Electrical Workers*, 60 Sup. Ct. 306 (1940); and *National Labor Relations Board v. Folk Corporation*, 60 Sup. Ct. 307 (1940).

62. *Steward Machine Company v. Davis*, 301 U.S. 548, 57 Sup. Ct. 883 (1937).

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the Social Security Act, as reviewed in Chapter 28, a so-called "excise tax" is imposed upon employers of eight or more persons. A manufacturer located in Alabama, owner of the Steward Machine Company, complied with the law in paying the tax, and then filed claim in 1937 with the Commissioner of Internal Revenue for a refund, finally suing to recover payment on the grounds that the statute was contrary to the Constitution. The company argued that the tax was not an excise; that it was not uniformly imposed in all states as required under the Federal Constitution; that many exceptions made the burden arbitrary and in violation of the Fifth Amendment; and finally that the individual states had been coerced into yielding to it and in so doing had abandoned functions of government which under the Constitution they are not permitted to do.

In preparing the Court's majority decision in this case, Justice Cardozo answered the plaintiffs' arguments in order. The Court found that the tax was levied "with uniformity throughout the United States as a duty, an impost, or an excise upon the relation of employment," in keeping with other burdens levied since the earliest colonial days. It observed, further, that there had been no departure from the requirement of uniformity, since the law does not offend the rule of arbitrary classification, even though it does not apply to employers of less than eight workers, and is not applicable to agricultural labor, domestic service, and other specified groups of employees. The excise tax, the Court stated, was not void by reason of alleged coercion, but, in fact made possible a program of social security through which all public agencies "may work toward a common end." Who, then, the Court asked, is coerced? Not the taxpayer, for he pays in fulfillment of the mandate of the local legislature. Not the state, for even now it does not offer a suggestion that it has been affected by duress in the passing of its unemployment compensation law. Finally, the Court held that Title III was separable from Title IX, and that even though the former title might be omitted, still Title IX would remain as a provision compatible with the Constitution.

Four members of the Court offered dissenting opinions. Justice Sutherland, concurred in by Justice Van Devanter, pointed out that "if we are to survive as the United States, the balance between the powers of the nation and those of the states must be preserved." Other dissenting

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opinions expressed the belief that the act "unduly interferes with the orderly government of the state by her own people, and otherwise offends the Constitution (McReynolds), and that the scheme was repugnant in principle and as applied (Butler). Justice Butler averred, "The terms of the measure make it clear that the tax and credit device was intended to enable federal officers virtually to control the exertion of powers of the states in a field in which they alone have jurisdiction and from which the United States is by the Constitution excluded."

2. *Old-Age Pension Tax Case*.⁶³ This case involved a shareholder's suit to enjoin the Edison Electric Illuminating Company of Boston from paying the federal excise tax imposed upon employers for old-age pensions provided under Titles II and VIII of the Social Security Act. Justice Cardozo, delivering the majority opinion in this case, emphasized the facts that the problem of old age is plainly national in area and dimensions, and that "Congress may spend money in the aid of general welfare." He continued for the Court:

The purge of nation-wide calamity that began in 1929 has taught us many lessons. Not the least is the solidarity of interests that may once have seemed to be divided. Unemployment spreads from state to state, the hinterland is now settled that in pioneer days gave an avenue of escape. . . . Spreading from state to state, unemployment is an ill not particular but general, which may be checked, if Congress so determines, by the resources of the Nation. If this can have been doubtful until now, our ruling today in the case of the Steward Machine Co., *supra*, has set the doubt at rest. But the ill is all one or at least not greatly different whether men are thrown out of work because there is no longer work to do or because the disabilities of age make them incapable of doing it. Rescue becomes necessary irrespective of the cause. The hope behind this statute is to save men and women from the rigors of the poorhouse as well as from the haunting fear that such a lot awaits them when journey's end is near.

The two dissenters, Justices McReynolds and Butler, did not prepare written opinions, but declared that the provisions of this part of the social security program were repugnant to the Tenth Amendment of the Federal Constitution.

63. *Helvering v. Davis*, 301 U.S. 619, 57 Sup. Ct. 904 (1937).

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3. *Alabama Unemployment Compensation Cases*.⁶⁴ Two Alabama companies, the Southern Coal and Coke Company and the Gulf States Paper Corporation, were instrumental in testing the legality of the Alabama Unemployment Compensation Act, the state program passed under the impetus of the unemployment compensation titles of the Social Security Act. They contended that the Alabama law violated the due process and equal protection clauses of the Fourteenth Amendment and that the act was invalid because its enactment was coerced by the federal statute, and because it involved an unconstitutional surrender of state sovereign power to the federal government. The Court's decision, in which all but three justices concurred (Sutherland, Van Devanter, and Butler), ruled that the act was a valid exercise of the state's taxing power.

In support of this ruling, the Court cited a preceding case⁶⁵ in which the Supreme Court of Alabama held that "the contributions which the statute exacts of employers are excise taxes laid in conformity to the constitution and laws of the state." It also held that the act was not arbitrary in exempting certain types of employers and that employers could not question the constitutionality of the tax levied upon employees. Furthermore, the public purposes of a state embrace expenditures for its general welfare, for which it may raise funds by taxation. Finally, the Court was of the opinion that the federal government did not coerce the state to pass the act and hence it was not unconstitutional. Since these two governments are not alien to each other, and since unemployment is a common concern to both, the social security legislation embodies a co-operative legislative effort for carrying out a public purpose common to both. "The Constitution does not prohibit such co-operation."

CONSTITUTIONAL STATUS OF ANTILEAFLET AND HANDBILL ORDINANCES. Antileaflet and handbill ordinances have been passed in various parts of the nation, and in many instances the courts have been called to rule upon the constitutionality of these measures. Most of these regulations do not specifically govern the distribution of leaflets and handbills by labor unions or pickets, but often they have been aimed directly at

64. *Carmichael v. Southern Coal and Coke Co.*, and *Same v. Gulf States Paper Corp.*, 301 U.S. 495, 57 Sup. Ct. 868 (1937).

65. *Beeland Wholesale Co. v. Kaufman*, 174 So. 156, 234 Ala. 249 (1937).

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suppressing such activities of workers. Laborers well know that the press is usually controlled by the large metropolitan newspapers and that the handbill is often their only effective means of publicity relative to meetings and strikes, and of appeal for public consideration and sympathetic support of local labor activities.

Until late in 1939 the courts were not in agreement as to the validity of such ordinances. On November 22, 1939, the United States Supreme Court referring to pamphlets as "historical weapons in the defense of liberty," held unconstitutional four city ordinances restricting their distribution.⁶⁶ In reference to the contention that such ordinances were necessary to prevent "littering of the streets," the Court (with only Justice McReynolds dissenting) stated:

Although a municipality may enact regulations in the interest of the public safety, health, welfare or convenience, these may not abridge the individual liberties secured by the Constitution to those who wish to speak, write, print or circulate information or opinion. The purpose to keep the streets clean and of good appearance is insufficient to justify an ordinance which prohibits a person rightfully on a public street from handing literature to one willing to receive it.

In this respect, also, the Court has done more than give lip service to the constitutional right of individuals or groups to publicize their side of a controversy.

INCORPORATION OF LABOR UNIONS AND ORGANIZATIONS OF LABOR COURTS. The numerical growth of trade unions, coupled with their increasing political influence, has led to a demand for greater legal responsibility. Incorporation is urged on many grounds. In the interest of social welfare and industrial stability, such powerful associations should acquire the privilege to sue and the liability to be sued. The assumption of legal responsibility by trade unions would tend to promote a system of collective bargaining, since employers would have redress in the case of abrogation of contracts, and unions would enjoy the same privilege. If trade unions were made legally responsible, their policies and practices

66. *Schneider v. State of New Jersey*, *Young v. People of State of California*, *Snyder v. City of Milwaukee*, *Nichols v. Commonwealth*, 308 U.S. 147, 60 Sup. Ct. 146.

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would tend to become more conservative and constructive, reducing to a minimum emotional and spasmodic actions. It is only just that an association of citizens who individually and collectively claim constitutional rights and legal protection should assume the duty of amenability to the laws of the states and the United States.⁶⁷

On the other hand, numerous objections are raised by organized labor against incorporation. It is contended that the case for incorporation rests upon a fundamental assumption that is false, namely, the legal irresponsibility of trade unions and their tendency to violence. Judicial decisions interpreting the labor clauses of the Clayton Act have indicated that labor organizations in the United States have been legally responsible for wrongful acts committed by them or in their name. In spite of the more favorable decisions rendered by the Supreme Court of the United States during recent years, there is nothing to assure labor that it will receive impartial treatment before the courts. If unions were compelled by law to incorporate, litigation would probably be brought more freely by employers unsympathetic with unionism, with the result that union funds would soon be depleted.

Organized workers are convinced that the courts are prejudiced against union policies and methods and that judges are obsessed with the concept of the sacredness of property rights. Even if the courts were impartial, unions often could not afford to employ legal advisers comparable in training and ability to those in the employ of powerful corporations. It is further contended that trade unions are not associations organized to make profit through the production and sale of commodities but voluntary associations formed for the purpose of bargaining collectively in the sale of labor, which is not a commodity. Unwilling incorporation would doubtless lead to surreptitious evasion of the law by employers and employees, who would mutually agree to waive the privilege of prosecution. Voluntary agreements providing for peaceful

67. While it is generally assumed that labor unions are not suable as entities so as to bind their assets, some state courts have found a statutory basis under the equitable rule found in modern codes of civil procedure allowing representative suits as well as provisions allowing suits against unincorporated associations in the association name. (See California Code of Civil Procedure, S. 382, 388; *Branson v. Industrial Workers of the World*, 30 Nev. 279, 95 Pac. 354 (1908).)

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negotiations between associations of employers and unions of employees will probably produce better results than compulsory incorporation.

A growing number of impartial students of American labor favor the creation of impartial labor boards or labor courts which would be empowered to adjust jurisdictional disputes and protect the millions of workers from the unscrupulous racketeering of unprincipled labor organizers and prejudiced employers. The public has a great interest in this problem. Consideration of alternative social systems, some of which provide for the compulsory settlement of labor disputes, are considered in our final chapter.

Questions for Class Discussion

1. What does the field of labor law embrace? By what processes have the principles of labor law become crystallized?
2. Are labor organizations legal? Are all the acts of labor organizations legal? Develop the principles of law bearing upon this point.
3. When, if ever, are strikes illegal? Are strikes for shorter hours legal? Are strikes among public servants legal? Are the laws of all states similar in this respect? Are all violent strikes illegal?
4. What principles relative to picketing were established in the Tri-City case? Did the ruling of the court in this case represent a complete statement of the law on the subject? Have the principles established in this case been modified or changed since the decision in the Tri-City case was rendered?
5. Discuss carefully the present legal status of the boycott.
6. Is it possible in the courts today to convict labor unions of operating in violation of the Sherman antitrust law? How has the United States Supreme Court ruled on this question? What is the present attitude of the United States Department of Justice on this point?
7. Why is it said that the "blacklist" has at last been virtually ruled out of American labor practices? Under what conditions might blacklist activities still be carried on without becoming illegal?
8. List the major cases sustaining the issuance of court injunctions against labor union activities. When can injunctions against employer practices be gained? What has been the legal effect of the passing of the Norris-La Guardia Act upon the issuance of injunctions?
9. Upon what grounds have the courts held child labor laws to be constitutional? Are laws limiting hours and employment for women held

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to be constitutional? Upon what grounds? What about similar laws for men? Minimum wage laws? How do you explain the changing interpretation of the Courts on these subjects during recent years?

10. Why was the National Industrial Recovery Act declared unconstitutional by the United States Supreme Court? Do you think the same ruling would be made by the present court, were the case being tried today?

11. Summarize the principles enunciated by the United States Supreme Court in cases involving questions of the constitutionality of the National Labor Relations Act. When is an employer thought to come under the Act? Is an employer doing 50 per cent of his business within the state thought to be engaged in interstate commerce? What if only 5 per cent of his business actually enters the stream of interstate commerce? If he has no interstate business this year, but does have a little interstate business next year, does he come under the law? If so, when, and why?

12. How has the Supreme Court ruled concerning the constitutionality of the Social Security Program? In the light of these rulings what appear to be the limits beyond which the state and federal governments cannot go in devising a measure of economic security for the American people?

13. What are labor's rights of free-speech and assemblage in the United States? In the various states of the union?

14. Should labor unions be incorporated? Critically evaluate the proposal calling for the organization of labor courts before which points of labor law would come for ruling.

15. Has labor had a fair trial before the courts in this country? Are the prospects for the future different from those experiences of the past?

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Chapter 32

INTERNATIONAL CONTROL OF LABOR STANDARDS

¶ **WORLD MARKETS AND LABOR STANDARDS.** Modern nations live in an economically interdependent world. In that world economic isolation is practically impossible, since no nation, no matter how abundantly it may be blessed with natural resources, can produce all the varied commodities that its citizens need or can consume all the output of its own specialized industries. Importation and exportation of goods are but phases of a vast and intricate system of exchange that envelops all countries. In the markets of the world commercial nations have long struggled for supremacy. There is constant pressure at home to keep the expenses of production at the irreducible minimum, in order to meet or underbid competitors' prices in foreign markets.

In the campaign for low production costs, labor standards are often reduced to levels of wretchedness, and there is positive opposition to any movement designed to improve the status of the working class. Unfair competition inevitably results when employers in high standard countries sell their commodities in the same markets as those of low standard countries. The lack of raw materials resulting from a scarcity of natural resources and the existence of a low standard of living are among the factors which account for a low-priced labor supply in some countries whose cheap commodities compete in world markets with those of countries having relatively high labor standards. Problems of industrial relations, therefore, frequently require the attention of all industrial countries functioning through some system of international regulation. International co-operation in the formulation and maintenance of desirable labor standards is now regarded as an indispensable

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condition of continued progress in safeguarding the interests of the wage-earning class.

THE NATURE AND MOTIVATION OF INTERNATIONAL CO-OPERATION. Nations have for a long time had a code of international law governing certain political, social, and economic relations. A law of peace and a law of war have been developed. Although the validity and enforcement of this international code have often been disappointing, being dependent largely upon the power of public opinion and regard for moral obligations, there can be no doubt of the salutary effect that these international regulations have had upon the behavior of nations. Violations of international law, such as were indulged in by Germany in the World War and the war which began in September, 1939, do not invalidate the sound basic principles of such law.

There never has been an international code governing labor conditions, nor can it be claimed that the League of Nations has been able to establish a system of economic principles or legal enactments which in the field of industrial relations has either the sanctity or authority of law. Nevertheless, something akin to a system of international labor law is definitely in the process of development. Already, there exists a considerable body of international labor legislation. These regulations have emerged from the consciousness that the improvement of labor conditions is made much easier if the same or similar restrictions are operative in all countries, or at least in those industrial countries that compete in world markets. This system of international labor legislation is the result of treaties and agreements among the most important industrial nations, and it gives promise of acquiring such positive authority as to impose an acknowledged international obligation.

International labor legislation has been prompted by various motives. The desire of the signatory powers to safeguard the health and welfare of their respective wage-earning classes has doubtless been a factor. Many contend, however, that of far greater importance has been the desire to benefit the nation as a whole rather than any particular class. The purpose of each country, it is said, is to conserve its own industrial resources and man power since these are indispensable factors in meeting successfully the competition of other commercial nations. There is reason to

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believe, moreover, that many countries have assented to progressive labor legislation because of their desire to maintain and safeguard their traditional prestige in the family of nations. Whichever motive prevails, a system of international labor law is a welcome addition to the code of rules that governs the conduct of nations.

THE DEVELOPMENT OF INTERNATIONAL CONTROL OF LABOR STANDARDS. Viewed in its most comprehensive phases, the movement for international control of labor relations has been sponsored by at least four different types of organization: namely, the international socialist organizations; international trade union bodies; private and quasi-public associations of students and others interested in social, economic, and political reforms; and official conferences and treaties. The political phase of the international labor movement has been represented by the international socialist organizations; the purely economic phase, by the international trade unions; and the nonpartisan and scientific phase by such organizations as the International Association for Labor Legislation. Upon the foundation of investigation, research, education, and publicity established by nonofficial associations have been built the official phases of international regulation of labor conditions. Voluntary organizations of those deeply interested in social progress have furnished the motive and content of conventions officially embodied in international treaties and agreements.

Robert Owen, famous English manufacturer and reformer, is credited with being the originator of the idea of international co-operation in regulating labor relations. In 1818 Owen appeared before the Congress of the Holy Alliance at Aix-la-Chapelle and set forth the thesis that the major task confronting the governments of Europe was the international determination of the legal limits of normal industrial conditions for European society.¹ In this, as in so many of his ideas, Robert Owen was far in advance of his time. The idea of international control of labor conditions appeared repeatedly in the course of the nineteenth century. During the years 1840-1847, Daniel Legrand, an Alsatian manufacturer, urged the governments of Europe to consider

1. Iwao F. Ayusawa, *International Labor Legislation*, p. 19. See also B. E. Lowe, *The International Protection of Labor* (Macmillan, 1935), Introduction.

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seriously the need for protective labor legislation. He was convinced that such laws would benefit the workers and free the employers from unfair competition.² His program called for the abolition of child labor, the assurance of one day of rest in seven, protection of family life, and other safeguards for the laboring population. The first official attempt to obtain international labor legislation was made in 1855, by the Swiss canton of Glarus which, as a result of an inquiry by a commission, wrote to the Council of Zurich asking it to agree to a plan for the protection of labor upon an international basis.³ This attempt failed, but the idea of such international co-operation was steadily gaining favor in European society.

The labor movement has had considerable influence upon the development of international co-operation in controlling labor standards. The First Socialist International (London, 1864) and the Second Socialist International (Paris, 1889) held numerous conferences and congresses for the purpose of promoting the welfare of the wage-earning class and advancing the international solidarity of labor. Although the international socialist movement seeks the complete reorganization of society upon a collectivist basis, the opportunistic wing of the movement is not averse to immediate social reforms and has advocated such measures as the abolition of child labor, prohibition of night work, one day of rest in seven, a maximum eight-hour day, and the unrestricted right of free combination and association. In this way it has greatly encouraged international labor legislation.

The international trade union movement has two distinct aspects, namely, the international organization of separate crafts and their integration into what are known as International Trades Secretariats, and the international integration of trade union federations comprising the craft associations of different countries, the central office of which is termed the International Secretariat. The International Secretariat is the central executive organization of the International Federation of Trade Unions, organized permanently in 1901. Both wings of the international trade union movement have helped to secure protective labor legislation.

2. Ayusawa, *op. cit.*, p. 21.

3. *Ibid.*, pp. 24, 25.

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Numerous voluntary associations for the advancement of social and economic reform have sprung up outside the labor movement. Among these are the International Federation for the Observance of Sunday, the Permanent International Commission for the Study of Occupational Diseases, the International Association on Unemployment, and the Permanent International Committee on Social Insurance. Our chief interest, however, is in the International Association for Labor Legislation, which was formed in Paris in 1900 by a group of economists who met during the Paris Exposition. In 1901 a permanent International Labor Office was organized, which developed a semiofficial character. Sections of the International Association for Labor Legislation were soon established in all important industrial countries, most of which appropriated public funds for its support. In 1925 the International Association for Labor Legislation merged with the International Association on Unemployment and the International Committee on Social Insurance to form the International Association for Social Progress.

The basic purpose for which the International Association for Labor Legislation was formed was to bring about uniform legislation through treaties entered into by independent governments.⁴ It has been closely and influentially identified with the drafting and preparation of important international labor conventions and treaties and has collected and disseminated valuable information relative to undesirable labor conditions. To the International Association more than to any other agency must be given the credit for expediting the enactment of progressive labor legislation pertaining to the prohibition of night work for women and children, restrictions upon the use of white or yellow phosphorus in match manufacturing, the protection of workers from accidents and occupational diseases, one day of rest in seven, limitation of hours of labor in continuous industries, and the effective administration of labor laws. The International Association performed a great service when, in June, 1918, it submitted to the nations a memorandum requesting the incorporation of a program of international labor legislation in the final draft of the treaty of peace that should terminate the World War. The

4. John R. Commons, and J. B. Andrews, *Principles of Labor Legislation*, rev. ed. (1936), p. 499.

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activities of the International Association for Labor Legislation are continued by the International Association for Social Progress through its sections in various countries, such as the American Association for Labor Legislation, but since 1919 many of its functions have been taken over by the International Labor Organization of the League of Nations.

Official international action regulating labor conditions was proposed, as we have seen, by Robert Owen in 1818 and Daniel Legrand in 1840. A series of sporadic efforts on the part of certain European governments, including Switzerland and Germany, finally resulted in the calling of the Berlin Conference of 1890, the first international labor conference ever convoked and attended by official representatives of the governments of Europe. Although the conference quickened the awakening spirit of international co-operation, its practical achievements were insignificant. In 1905 the Berne Conference was convened by the Swiss government. This conference, like the one at Berlin, was purely advisory and technical, but agreements were drafted for the prohibition of the importation into the respective countries of white or yellow phosphorus for the manufacture of matches and the definition of the limits of night work for women in industry. The final terms of the treaties relating to these subjects were agreed upon by the Berne Conference of 1906. All of the fourteen nations represented signed the convention prohibiting night work for women, but only seven signed the agreement regarding the manufacture of matches. A number of other nations have since adopted the latter restriction. The United States complied with the terms of the convention by passing an act on April 8, 1912, which imposes a prohibitive tax on the manufacture, sale, and exportation of matches made from white phosphorus. The outbreak of war in Europe in 1914 precluded a diplomatic conference called by the Swiss government to consider the tentative agreements of the Berne Conference of 1913 entirely prohibiting night work by young persons and limiting to ten hours a day the work for women and young people. Switzerland has been the real pioneer in the movement for international protective labor legislation.

LABOR CLAUSES OF THE TREATY OF VERSAILLES. Official international action regulating labor conditions was destined to be placed upon a perma-

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ment basis with the creation of the League of Nations at the conclusion of the World War. At the second plenary session of the peace conference on January 27, 1919, a resolution was passed creating a commission to study international labor legislation. The report, which recommended the inclusion in the peace treaty of a section creating an international labor organization and the pronouncement of nine principles as labor's fundamental rights, was submitted to the peace conference under date of March 24, 1919. The conference acted favorably upon the suggestion and it was incorporated into the peace treaty as Part XIII, Articles 387-427 inclusive, generally referred to as the "Labor Charter." Victory thus crowned the untiring efforts of labor leaders and numerous other individuals and groups who for years had endeavored to establish international labor legislation upon a solid foundation.

The basic principles enunciated in the labor sections of the Treaty of Versailles are not pretentious; they merely set forth what are regarded as the minimum standards that should be assured the working class. They are founded upon "sentiments of justice and humanity as well as the desire to secure the permanent peace of the world," which is the main objective of the League of Nations.⁵ The League recognizes that the peace and harmony of the world are imperiled so long as conditions of labor exist that result in injustice, hardship, and privation to large numbers of people. Improvement of these conditions is believed to rest upon such procedure as "regulation of the hours of work, including the establishment of a maximum working day and week, the regulation of the labor supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease, and injury arising out of his employment, the protection of children, young persons, and women, provision for old age and injury, protection of the interests of workers when employed in countries other than their own, recognition of the principle of freedom of association, the organization of vocational and technical education, and other protective measures."⁶ The failure of any nation to adopt humane conditions of labor is recognized as an obstacle to the improvement and

5. Section I.

6. Section II.

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maintenance of desirable labor standards in the more progressive countries.

The general principles designed to chart the lines of development for international labor legislation may be summarized as follows:⁷

1. Labor should not be regarded merely as a commodity or article of commerce.
2. Employers and employees should be accorded the right of association for all lawful purposes.
3. Workers should be paid a wage adequate to maintain a reasonable standard of life as this is understood in their time and country.
4. The eight-hour day and the forty-eight hour week should be attained.
5. A weekly rest of at least twenty-four hours, which should include Sunday wherever possible, should be adopted.
6. Child labor should be abolished and such restrictions placed upon the labor of young persons as shall permit the continuation of their education and assure their proper physical development.
7. There should be equal pay for equal work of equal value performed by men and women.
8. Equitable economic treatment should be accorded all workers resident in a country, regardless of nationality, each being given the full protection of labor laws.
9. In order to assure the strict enforcement of laws and regulations governing employment relations, each country should have an adequate system of inspection, in which women should take part.

THE INTERNATIONAL LABOR ORGANIZATION. In order to aid in the realization of these fundamental principles, the labor sections of the Versailles Treaty definitely set up machinery for the administration of international relations pertaining to labor conditions. The structure and functions of the organization are given in Charts 31 and 32. There is, first, the Permanent Organization provided for in Articles 387-399, which consists of a General Conference of Representatives of the International Labor Organization and the International Labor Office. The treaty also provides for the creation of a Panel of Commissioners of Inquiry, from which commissions may be appointed as the need arises, to

7. For the text of the sections of the Versailles Treaty that affect labor relations, see *Monthly Labor Review*, vol. ix, September, 1919, pp. 333-41.

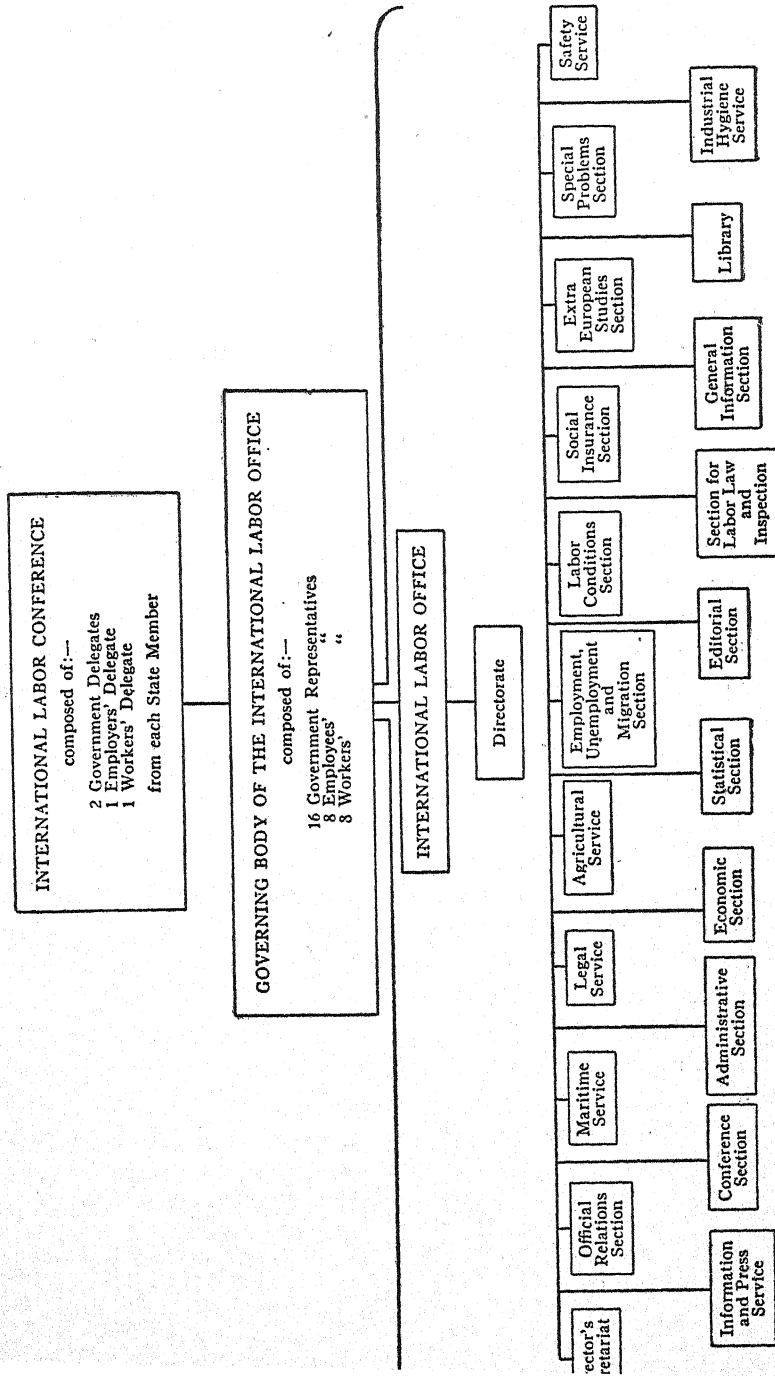
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hear and pass upon complaints against members of the International Labor Organization. Disputes as to interpretation of the labor sections of the treaty or draft conventions may be submitted to the Permanent Court of International Justice.

The General Conference of Representatives of the International Labor Organization is really a congress of representatives of the constituent nations convened from time to time as occasion may require, but at least once a year, either at the seat of the League of Nations (Geneva) or at such other place as may be decided upon by the General Conference itself. The conference is composed of four representatives of each member nation, appointed for the term of the session, which usually lasts from three to four weeks. Of these four, two are government delegates, one is the representative of employers, and one is the representative of the workpeople of each member nation. Each delegate may be accompanied by technical advisers, the number of which is not to exceed two for each item on the agenda. These advisers may, if necessary, be authorized to act as deputies for the delegate. When questions of particular concern to women are to be considered by the General Conference, it is provided that at least one of the advisers to the delegate shall be a woman. Nongovernment delegates and advisers are to be chosen by the governments in agreement with the industrial organizations in their respective countries which are most representative of employers or wage earners, as the case may be. If a member state fails to appoint one of the two nongovernment delegates, the appointed delegate is allowed to attend and to speak at the conference, but he cannot vote. The conference is in reality the legislative body of the International Labor Organization.

The Governing Body, which is discussed later, determines the agenda of the conference. Proposals that are accepted by the conference may take the form of *draft conventions* or *recommendations*, which must be adopted by a two-thirds majority of the delegates present. Voting is void unless the total number of votes cast is equal to half of the number of delegates attending the conference. Draft conventions must be submitted within one year (eighteen months in exceptional cases) by the government of each member state to the competent authority, usually the parliament, of that state for consideration with a view to ratifi-

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1: International Labor Office, Geneva, and its Washington Branch.

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cation and the enactment of any necessary legislation. These conventions become binding as treaties between ratifying states and are registered with the Secretary General of the League of Nations. A ratifying state is under obligation to harmonize its own laws and practices with the provisions of the convention and must report annually on their enforcement. The member states agree to apply the draft conventions which they have ratified to their colonies, protectorates, and possessions that are not fully self-governing, except where local conditions make application impracticable or where modifications are necessary to adopt the convention to local conditions. An international Committee of Experts and a Committee of the Conference scrutinize these reports.

Recommendations, like conventions, must be submitted to the competent authority as models for legislation, and any measures taken toward their application are to be communicated to the Secretary General of the League of Nations. Although the result of thorough preparation and discussion, recommendations involve no formal international obligation. "They lend themselves particularly to the treatment of measures which are still in the formative stage, or to the laying down of a more detailed line of policy than would be suitable in a Convention."⁸ By a simple majority of the delegates present, the conference may also adopt resolutions, which are merely expressions of the collective opinion of the conference and involve no binding obligation on member states. The General Conference itself decides, after joint deliberation, whether any proposal adopted by it shall take the form of a recommendation to be submitted to the members for their consideration, with a view to its embodiment in national legislation, or whether the proposal shall be a draft convention to be submitted to members for ratification.

The International Labor Office, with headquarters at Geneva, is an integral part of the League of Nations, although membership in the International Labor Organization does not necessarily involve membership in the League. The direction of the International Labor Office is vested in a Governing Body of thirty-two persons, sixteen of whom represent the governments affiliated with the International Labor Organ-

8. International Labor Office, *The World of Industry and Labor*, 1939 (Geneva, June, 1939), p. 86.

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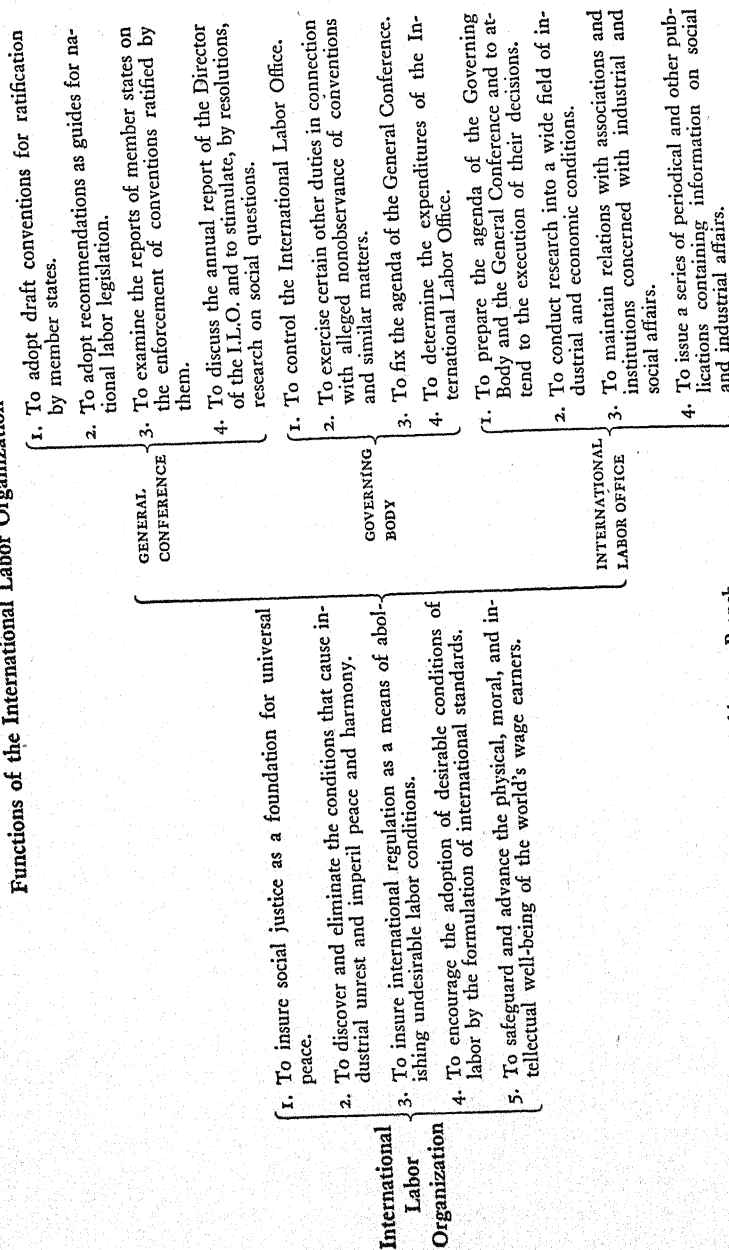
ization, eight the employers, and eight the workers, each member of the Governing Body serving for a term of three years. Eight of the sixteen persons representing the governments are appointed by the ranking industrial member nations and eight by the member nations selected for that purpose by the government delegates to the General Conference, exclusive of the delegates of the eight countries of chief industrial importance. Of the sixteen members represented, six must be from non-European States. The Governing Body elects, from time to time, its own chairman from among its own members, determines its own procedure, and fixes the time at which meetings shall be held. The Governing Body also appoints the Director of the International Labor Office, whom it controls and who is responsible for the efficient functioning of the office.⁹ He appoints his own staff, which at present consists of over forty nationalities. Staff members are not dependent on the authorities of their countries of origin, but are immediately and solely responsible to the director. There is also a deputy director.

The duties of the International Labor Office are primarily to collect and distribute information concerning the international adjustment of conditions of industrial life and labor, especially data on those subjects which are to be submitted to the General Conference with a view to the formulation of international draft conventions and recommendations. Special investigations are often ordered by the General Conference. The International Labor Office prepares the agenda for the General Conferences in accordance with the instructions of the Governing Body, which is given the responsibility of considering all proposals submitted by the governments of member nations or representative organizations. The office publishes the *International Labor Review*, a monthly journal containing critical and informational articles and records on labor subjects, prepares and distributes special studies on industrial relations, and issues a number of publications in this field. *Industrial and Labor In-*

9. The first Director of the International Labor Office was Mr. Albert Thomas (French), who functioned in that capacity from 1919 to 1932, the year of his death. His successor was Mr. Harold Butler (English), who filled the office from 1932 to 1938, when he resigned. Mr. John G. Winant (American), formerly Governor of the State of New Hampshire and more recently Chairman of the Social Security Board, became Director in January, 1939.

CHART 32

Functions of the International Labor Organization



SOURCE: International Labor Office, Geneva, and its Washington Branch.

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formation is a weekly publication that contains news concerning acceptances or ratifications in different countries or improved labor legislation agreed to at the General Conference, as well as data about new labor laws enacted by various countries. The *Official Bulletin*, of importance chiefly to the staff, is issued irregularly. *Industrial Safety Survey* is a bimonthly publication that lists articles which have appeared in all countries on this subject. Issued at irregular intervals and bound annually is the *Legislative Series*, which consists of reprints and translations of the principal acts and regulations of all countries concerning labor. The *International Survey of Legal Decisions on Labor Law* is issued annually. The *Director's Report*, an annual survey of world conditions and of the activities of the I.L.O., is an excellent summary of the progress and problems of the entire organization. The *I.L.O. Year-Book* is an annual review of labor legislation and world economic and social trends. The *Year-Book of Labor Statistics* gives data on unemployment, hours of work, wages, prices, migration, population, and numerous other subjects in the field of labor relations. Other publications include the *Minutes of the Governing Body*, *Documents of the Conference*, *The I.L.O. Month by Month*, and *Studies and Reports*.

Under the direction of the Governing Body, the International Labor Office considers complaints made against any member of the International Labor Organization by any other member or representative association of employers or workers and publishes its findings, or it may request the appointment of a Commission of Inquiry to investigate the complaints and report on them. At the request of the Governing Body, the Secretary-General of the League of Nations nominates three persons, one from each section of the panel, to constitute the Commission of Inquiry. One of these persons he designates as President of the Commission. The appointment is made by the Governing Body. None of the individuals chosen for the Commission of Inquiry is to be selected from the list of nominees submitted by any member nation directly concerned in the complaint. The panel itself consists of persons nominated by member nations, each of which is required to nominate within six months three persons of industrial experience, of whom one shall be a representative of employers, one a representative of workers, and one

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of independent standing. Each section of the panel must be represented on the Commission of Inquiry. If the findings and recommendations of the commission are rejected by the governments involved in the complaint, the case is referred to the Permanent Court of International Justice, whose decision is final.

In addition to the foregoing duties, the International Labor Office has other functions and powers which are assigned to it from time to time by the General Conferences. The office has availed itself of the assistance of technical experts and of advisory committees and commissions. There are committees and commissions that deal with social insurance, industrial hygiene, prevention of accidents, conditions of work for women, workers' leisure, migration, salaried employees, public works, professional workers, and similar subjects of interest to member nations. There are committees of experts on such matters as statistics, native labor, safety of coal mines, and the application of conventions. Branches of the International Labor Office have been established in the capitals of many important countries, where its representatives act as intermediaries between itself, on the one hand, and the governments and the organizations of employers and of workers, on the other. Permanent correspondents are also maintained in various countries to furnish information to the headquarters at Geneva.

THE REAL SIGNIFICANCE OF THE INTERNATIONAL LABOR ORGANIZATION. The International Labor Organization is an interesting development in the operation of international conferences in that, while its decisions are determined by a majority of votes, the representatives vote as individuals and not in national groups. This allows greater freedom to individual delegates and makes possible solidarity by special groups interested in a particular reform.

In creating the International Labor Organization, the Treaty of Versailles contributed much to the movement for international control of labor conditions. For the first time in history there is provided an official body to act on international labor legislation, and effective machinery is set up to deal with economic problems affecting international relations. This organization is in a position to accomplish much more, and to accomplish it more expeditiously, than were the antecedent conferences.

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sponsored by such organizations as the International Association for Labor Legislation. Sustained rather than sporadic action is possible, since the International Labor Organization is supported from funds provided by the League of Nations, and the expenses of the representatives to the General Conference are defrayed by their respective governments. By including representatives of employers, employees, and governments, this organization makes possible more generally accepted decisions. The enactment of international labor legislation no longer depends upon the slow process of diplomacy but may receive consideration by an official conference at least once a year.

The treaty of peace, moreover, has done a constructive service in providing for enforcement of the labor provisions. As already indicated, complaints may be filed against any member government for failure to observe the principles to which it has subscribed. Complaints may be investigated and punitive action may be taken through such measures as the adoption of a blockade or refusal of passports. Pressure is thus brought to bear upon recalcitrant members.

THE DIFFICULTIES CONFRONTED. An institution that attempts to obtain such comprehensive agreements as does the International Labor Organization necessarily faces serious difficulties. In the first place, the nationalistic spirit of aggression and increasing commercial rivalry do not result in friendly relations and co-operation. Blind chauvinism breeds jealousy and hatred among the nations, and these are likely to be reflected in an unwillingness to establish international standards of labor relations. Quite apart from the psychological factor of nationalism are certain geographic and economic differences between nations that obstruct the universal application of enlightened uniform labor standards. Legal and constitutional differences may also make extremely difficult the establishment of uniform international labor legislation. To these hindrances may be added the influence of social traditions, customs, and prejudices. It is no small task to reconcile the points of view and demands of representatives of employers, wage earners, and governments from such a diversity of nations.¹⁰

10. Cf. National Industrial Conference Board, "The International Labor Organization of the League of Nations," *Research Report No. 48* (1922), pp. 144 ff.; and Ayusawa, *op. cit.*, pp. 135-145.

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These obstacles to international regulation of labor conditions are not insurmountable. It is conceivable that extreme nationalism will some day be tempered by an intelligent comprehension of the benefits of international peace and co-operation. Absolute uniformity of labor conditions, moreover, is not indispensable to a realization of the desirable objectives of international control of labor standards. This is acknowledged in the labor sections of the peace treaty: "They [the high contracting parties] recognize that differences in climate, habits, and customs, of economic opportunity and industrial tradition, make strict uniformity in the conditions of labor difficult of immediate attainment."¹¹ The processes of education can do much to eliminate many of these hindrances to uniformity. In educating employers and wage earners concerning their mutual interests and in pointing the way to a more productive and equitable industrial system, the International Labor Organization can contribute greatly to the solution of labor problems in every land.¹²

LABOR'S SKEPTICISM AND OPPOSITION. The International Labor Organization of the League of Nations has not received the unqualified support of organized workers. From their very inception the activities of the League of Nations have been bitterly opposed by social revolutionists because the League is alleged to represent an attempt to strengthen the foundations of modern capitalism and constitutes a weapon that can be used effectively in suppressing revolt of the proletarian class in various countries. Communists refer to the League as the "Black International." Such an attitude is only typical of the traditional opposition of radicals to any movement designed to improve the status of the wage earner under the capitalistic system.

Even American labor, which is much freer from socialistic influence than European workers, has not manifested positive confidence in the International Labor Organization of the League of Nations. This is attributable largely to the fact that the constitution of the Governing Body and the General Conference does not meet with the approval of certain

11. Section II, General Principles.

12. Cf. Herbert Feis, "International Labor Legislation in the Light of Economic Theory," *International Labor Review*, vol. 15, April, 1927, pp. 419-518.

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trade union leaders. Both radical and conservative groups in the American labor movement have contended that, since the conference provides for two delegates for the government of each nation and only one for the workers and one for the employers, the interests of labor cannot be adequately represented and safeguarded. It is alleged that labor will be outvoted by a coalition of delegates representing employers and governments, since the latter have fairly identical points of view, interests, and prejudices. Although the factors involved in each individual action taken by the Conference are so complex as to preclude positive judgment concerning this matter, there is no substantial evidence to support the view that the representatives of governments and the representatives of employers act in collusion against the interests of the workers.¹³

EMPLOYERS' OPPOSITION. Organized employers in the United States have been more antagonistic to the International Labor Organization than have certain labor unions. Differences of race, language, and customs are viewed as almost insurmountable obstacles to international cooperation in dealing with common problems of employment relations. Difficulties of administration are regarded as hindrances to efficiency. The most serious difficulty, from the standpoint of individualistic American employers, is the alleged danger of international interference with national labor legislation, which is "primarily a domestic problem." On this point an employers' research agency states:¹⁴

Despite the advisability of remedying the competitive inequalities resulting from the differences in the living standards and conditions of employment of various countries, the fact remains that improvements in the status of the worker in any country can be brought about only when public opinion supports, and the domestic economic situation permits, such improvement. A shorter working day and better employment conditions are the results of productive efficiency as well as of legislative decrees.

Constitutional difficulties, the comparative lack of organization among American wage earners which makes the representation of labor un-

13. For an observation concerning experience in earlier years see Amy Hewes, "The International Labor Organization," *American Review of Reviews*, vol. 70, November, 1924, pp. 511, 512.

14. National Industrial Conference Board, *The Work of the International Labor Organization*, p. 125.

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reliable, and the traditional individualistic spirit and philosophy of our people were advanced as reasons why this country should not formally participate in the International Labor Organization.¹⁵ Co-operation in research and exchange of information has never been opposed either by employers or organized labor in the United States.

THE UNITED STATES ACCEPTS MEMBERSHIP. Despite the opposition that prevailed for years, the United States finally decided to join the International Labor Organization. By a joint resolution on June 9, 1934, Congress authorized the President to accept membership for the government of the United States, provided that in so doing he should assume on behalf of this country no obligation under the Covenant of the League of Nations. On June 22, 1934, the Eighteenth Session of the International Labor Conference invited the government of the United States to accept membership under these terms. President Roosevelt accepted membership for this nation on August 20, 1934, effective as of that day, and issued a proclamation to this effect on September 10.

Considerable credit for this country's entry into the International Labor Organization is due to United States Secretary of Labor Frances Perkins. On June 9, 1934, the Secretary wrote Congressman Sam D. McReynolds, Chairman of the House Committee on Foreign Affairs, that the improvement and protection of American labor standards are basically contingent upon the progress of labor legislation in other countries.

"It is highly desirable," she stated,¹⁶ "that in taking such forward-looking steps [as the enactment of laws dealing with such matters as hours of labor, minimum wages, and unemployment] we should have the co-operation of other nations, for otherwise our industrial costs will advance more rapidly than the costs of our neighbors and the result will be that in the international field we will suffer the competitive disadvantages which always occur when one of several rival nations raises its standards faster than its neighbors raise theirs."

15. *Ibid.*, pp. 136, 137. See also T. G. Spates, "Employers of the United States and the International Labor Organization," *The Annals of the American Academy of Political and Social Science*, vol. 166, March, 1933, pp. 148-52.

16. International Labor Office, Washington Branch, *Constitution of the International Labor Organization* (Washington, 1937), p. 25.

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The techniques developed by the I.L.O. in dealing with labor problems and labor legislation are, the Secretary believes, of great assistance to us in approaching similar problems here.

"The International Labor Organization was established," she pointed out,¹⁷ "to promote international co-operation in considering labor legislation and labor problems. It acts not only as a clearing house for ideas and information but also as a stimulus to the enactment into law of standards of labor policy approved by the organization."

Isolationists who have retained an irreconcilable attitude toward the League of Nations were won over by the assurance that membership in the International Labor Organization does not necessarily involve membership in the League.

ACCOMPLISHMENTS OF THE INTERNATIONAL LABOR ORGANIZATION. In spite of skepticism and opposition, the International Labor Organization has done and will continue to do a necessary, constructive work in advancing the cause of international labor legislation, and assisting in the improvement of labor standards and relations in every country. By June 1, 1939, practically every nation in the world had accepted membership. Unfortunately, the so-called "Axis Powers" have withdrawn. Germany's withdrawal became effective in October, 1937, Italy's in December, 1939, and Japan's in November, 1940. It is not unlikely that eventually they will return to membership. In evaluating the progress of the I.L.O., one must remember that in 1919 all that existed of what has become a dynamic, living organization was the fundamental Charter on which subsequently the whole structure has been built. That Charter, as we have seen, contained only certain general principles and a suggestion for the creation of appropriate machinery that would realize those principles.

The First Session of the International Labor Conference, which was held in Washington, D.C., in October, 1919, used a new technique, namely, the formulation of international conventions by means of tripartite discussions between representatives of governments, employers, and workers, rather than by the traditional diplomatic procedure. Ever since that time improvement in technique has continued, with the result

17. *Ibid.*, p. 24.

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that conventions now have a better prospect of being translated into national laws and practices than in the past.¹⁸ Year by year the delegates of some fifty-seven nations have met in what has been described as a "world parliament of labor," in which, through debate, comparison of knowledge, and discussion of serious and complex economic and social problems, international understanding has been promoted. From the general conference have emerged regional conferences, as the Labor Conference of American States, in Santiago, Chile, in 1936, and the second Inter-American Labor Conference, held in Havana, Cuba, late in 1939, in which nations living in geographical proximity can discuss problems of mutual interest and importance.

Important draft conventions have been drawn up, ratified, and registered with the Secretariat of the League of Nations. By March 15, 1940, some 63 conventions had been adopted and 871 ratifications had been received. These conventions are not whims of theory but the product of careful research, comparison, and discussion. They deal with such important matters as the eight-hour day and the forty-eight hour week, public employment exchanges, night work for women in industry, child labor, organization of agricultural workers, industrial accidents and occupational diseases, workmen's compensation and social insurance of all kinds, minimum wages, compulsory labor, and labor migration. In addition to the conventions, 56 recommendations have been submitted to member nations, and important resolutions have been passed which have given impetus to the movement for improved labor conditions.

It is quite clear that a code of international labor law is a primary requisite for world progress and that the development of such a code depends upon the successful operation of the International Labor Organization. International labor law is capable of an expansion that will include the whole sphere of legislation for the protection and improvement of the standard of life for the wage-earning class in every country. Given the sanction of important industrial countries, such a system of law will lead to constructive economic progress and contribute to world peace. Under the direction of the General Conference of the International Labor Organization, these results can be achieved with a

18. *The World of Industry and Labor*, 1939, *op. cit.*, chap. iv.

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reasonable degree of speed. National laws will be greatly strengthened wherever international draft conventions are ratified. Just as each nation attempts to guarantee to its citizens a minimum standard of living that shall remain unaffected by economic competition, so the final purpose of international labor law is to place beyond attack from international competition a minimum of progress in the larger world of industrial relations.¹⁹ Such international agreements recognize the imperative necessity for equalizing competition to safeguard progressive standards of labor in advanced industrial countries.²⁰

Questions for Class Discussion

1. Why does international economic interdependence make imperative international control of labor standards?
2. What are the specific motives that have generated the movement for international labor legislation?
3. What personalities and organizations were associated with the movement for international co-operation in the control of labor legislation prior to the Treaty of Versailles?
4. What general principles were incorporated in the Treaty of Versailles for the development of international labor standards?
5. Make a descriptive analysis of the structure and functions of the International Labor Organization. Are these adequate to assure the creation of an intelligent and effective code of international labor law?
6. In what way has the International Labor Organization introduced new techniques and methods in the formulation of international labor standards?
7. What are the greatest difficulties that have confronted the I.L.O.? To what extent has the United States been responsible for these?
8. Do you think that national economic self-interest joins with social idealism in dictating that every advanced industrial nation accept membership in the I.L.O.?
9. What were the principal objections advanced by American organizations of employers and workers against membership in the I.L.O.? Do you think such objections were logical or valid?

19. See Ernest Mahaim, "International Labor Law," *International Labor Review*, vol. i, March, 1921, pp. 3-6.

20. For a discussion of the problems of the International Labor Organization in the present crisis, see John G. Winant, "The I.L.O. in Time of War," *International Labor Review*, vol. xl, October, 1939, pp. 445-47.

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10. What reasons and circumstances finally caused the United States to accept membership in the I.L.O.?

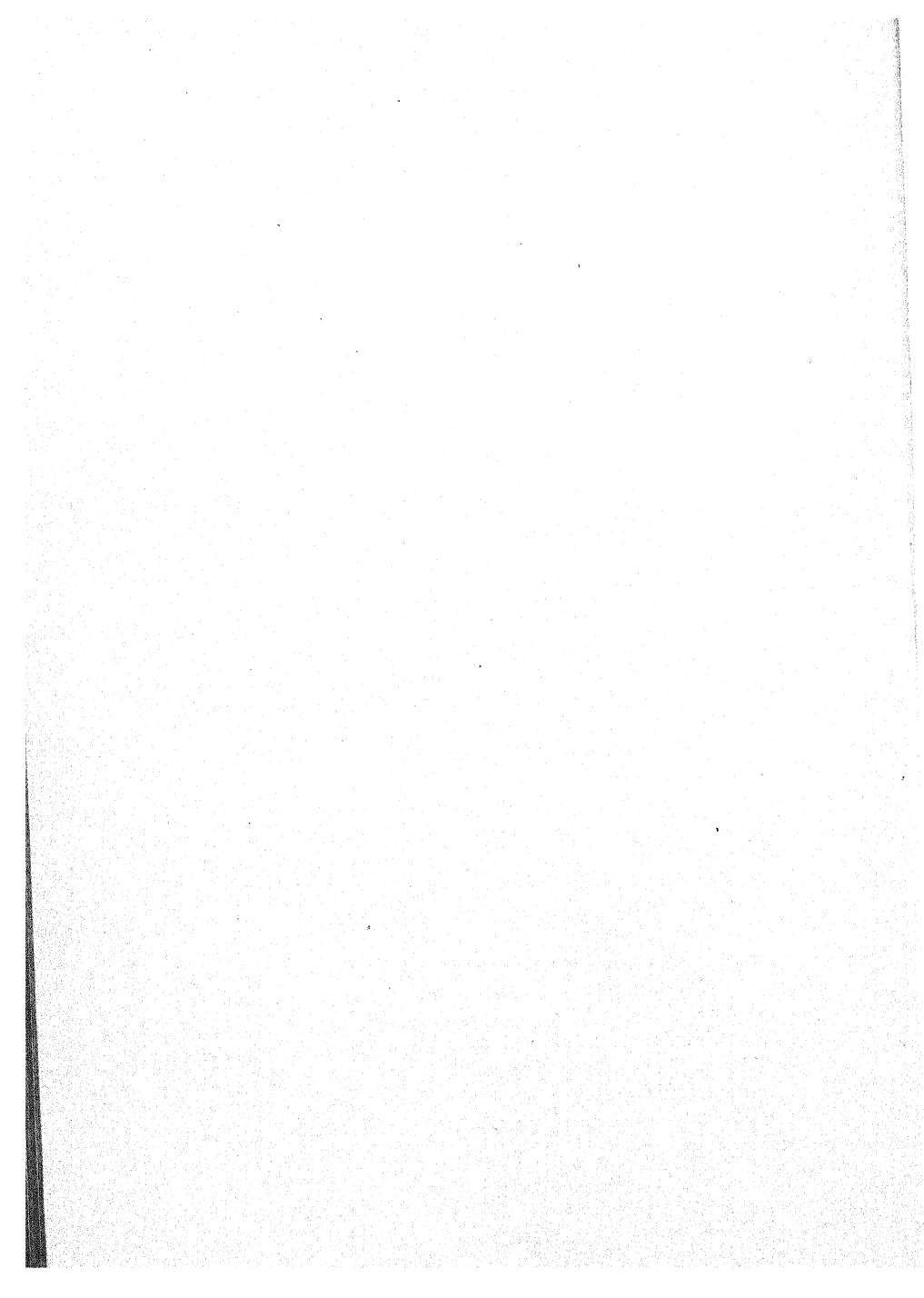
11. Summarize the accomplishments of the I.L.O. Do these seem to warrant considerable confidence in the future of international co-operation in the formulation and application of improved standards of employment?

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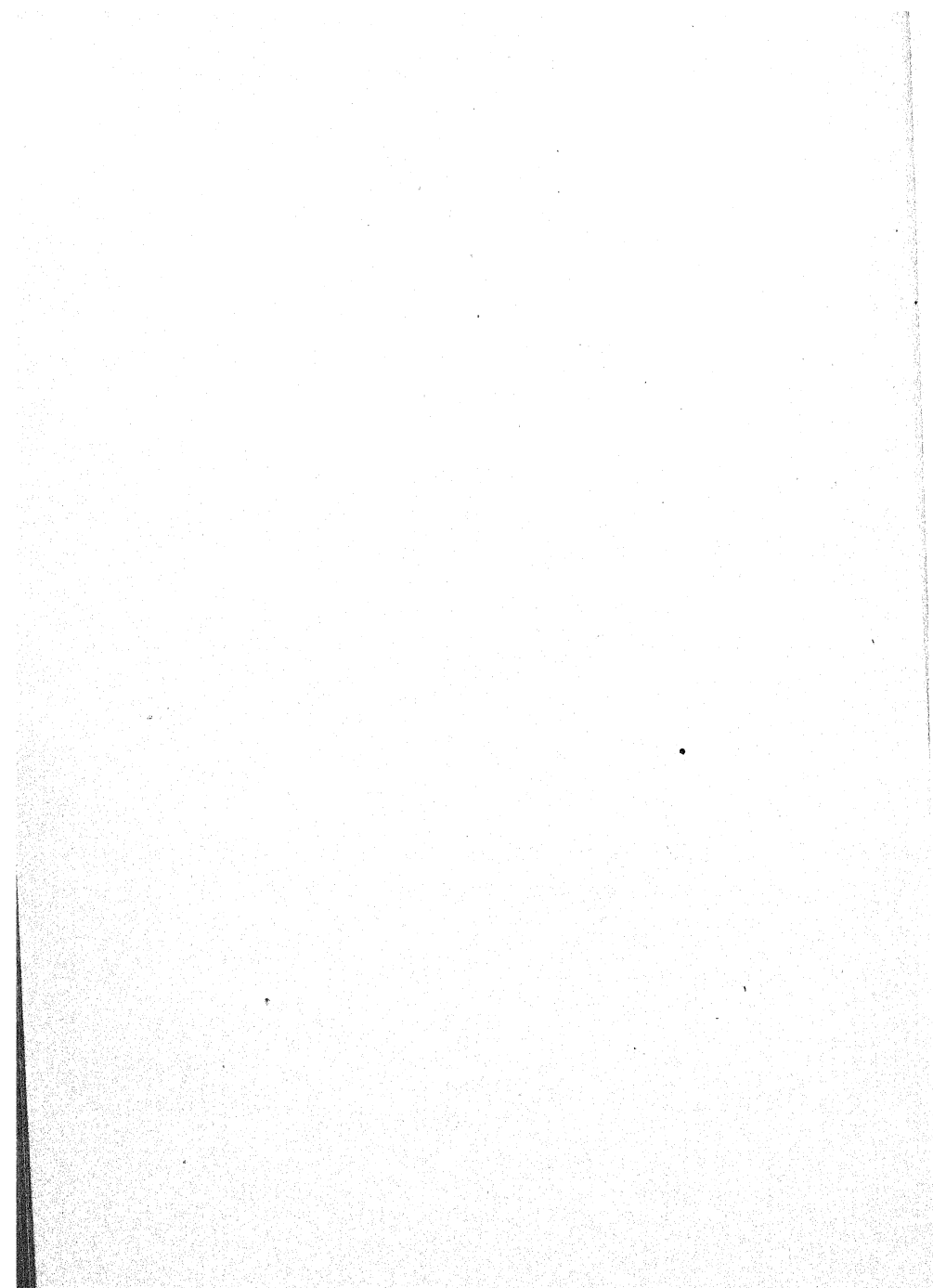
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PART VII

THE FUTURE



Chapter 33

THE CHOICE OF ALTERNATIVES

¶ **WORKERS AND THE SOCIAL ORDER.** The problems of labor relations surveyed in this study have appeared within the framework of modern capitalism as it exists in the United States. Many there are who insist not only that these problems are the consequence of capitalist development but that they are inevitable so long as capitalism continues. Ultimate solutions, these critics contend, can come only if and when the present social order gives way to a new social system the motivation, purposes, and methods of which will be very different.

Whether any solutions proposed for the problems of labor relations can be ultimate solutions in the sense of completely liquidating the difficulties that appear in the economic organization of society is a debatable point in the minds of most people. But it is not a debatable point in the minds of those social reformers who earnestly believe that drastic changes, if not complete social reorganization, are imperative. Such reformers are constantly presenting to the laboring masses the challenge of social reconstruction, and the masses respond with varying degrees of enthusiasm. In concluding our analysis of labor problems and the approaches to their solution, it is necessary that we examine the problem of social reconstruction and the general principles that underlie the alternative social systems from which ultimate solutions are expected to emerge.

It is evident to the student of history that never before have the impact of new social philosophies and the challenge of new social systems hurled themselves with such telling force against the defenses of existing forms of civilization. The present current of reformist ideas and methods is no ripple in a smoothly flowing stream but rather a devastat-

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ing swell in a turbulent sea of social readjustment. It is doubtful whether intelligent and thoughtful minds have ever been less certain of the drift of civilization than they are at the moment. The revolutionary technical progress created by modern science and invention has resulted in conditions that may cause far-reaching changes in the economic, political, and social life of contemporary civilization. In the evolution of civilization to its present form in the Western World there have been innumerable and profound modifications, but none have been more significant than those which stand on the threshold of the immediate future. Out of the old changes new standards of life and of human values have emerged and higher levels of achievement have been established. But old problems and maladjustments have been succeeded by new ones, profound changes have been made in the functional life of economic society, important political and social readjustments have been necessary, and men and women continue to dream of ideal commonwealths and visualize new and higher reaches of the human spirit. In an attempt to solve the problems arising from changes in the functional life of nations, the present idealism is allying itself with a ruthless pragmatism to construct new forms of social organization. All this is of tremendous importance to the working class, whose position and status are likely to be extensively affected by any scheme of social reconstruction.

ALTERNATIVE SOCIAL SYSTEMS. Ever since the French philosopher, Auguste Comte (1798-1857) formulated the conception that "ideas rule the world or throw it into chaos" many of the world's greatest minds have reiterated it. The impact of new ideas upon old social philosophies explains the crumbling of old societal structures and the rise of new ones. Ideas not only undermine faith in old beliefs and institutional forms but create new societies. The conflict of ideologies thus becomes a conflict between rival social systems which are the embodiment of those ideologies. That conflict was never more obvious and acute than it is today, and it promises to be more acute in the years just ahead of us. This is what makes both necessary and interesting an examination of the alternative social systems that claim the devotion and loyalty of mankind.

The social systems that present most prominently their claims of superiority in assuring economic justice, social security, and general well-

Choice of Alternatives

being are democratic liberalism, identified with modern capitalism; fascism, including national socialism; and Marxian collectivism, which includes both socialism and communism. Our present interest is in the general fundamental philosophies of these social systems as they are likely to affect the future welfare of the wage-earning class.

DEMOCRATIC LIBERALISM. Ever since the latter part of the eighteenth century, democracy, closely associated with the economic liberalism of capitalistic states, has been accepted more or less as a self-evident principle, rooted in the natural law of freedom, human equality, and social contract. Our earlier sketch of the evolution of modern capitalism¹ revealed that economic individualism, or the doctrine of noninterference, was an essential corollary of the theory of parliamentary democracy. It has been observed that if the Declaration of Independence may properly be regarded as the classic formulation of the basic premises and principles of parliamentary democracy, Adam Smith's *Inquiry into the Nature and Causes of the Wealth of Nations*, published the same year as the famous American document, is the classic expression of economic individualism.² The fundamental premises of parliamentary democracy and economic individualism are complementary; the one is a revolt against political despotism, the other a revolt against economic despotism and all forms of unreasonable restraint upon economic activity. Because the spirit of individualism pervades them both, we may for our present purposes identify democratic liberalism with capitalistic societies. From their inception modern parliamentary democracy and economic individualism, manifesting themselves in capitalism, have been praised by their exponents as the road to a better world and a better life.

In its original conception democracy implies government by the will of the governed. This basic ideology is implemented through a series of institutions that have been greatly cherished in the United States. A brilliant student and fervent champion of democratic liberalism points out that the regime of freedom which we associate with democracy is manifested, first, in *personal rights*, such as the right of habeas corpus

1. Chapter 2.

2. W. J. Shephard, "Democracy," *The Annals of the American Academy of Political and Social Science*, vol. 180, July, 1935, p. 94.

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and freedom of thought, worship, education, movement, and work; second, in *civil liberties*, such as freedom of speech, press, association, and assembly; and, third, in *political rights*, such as suffrage, which enable the citizens of a state to change their party affiliation and drive from power any political party that has ceased to be sensitive and responsive to the will of the people.³ Economically, such a regime necessarily presupposes a system of free endeavor, which means that men and women shall be free to apply their capital and their labor in whatever way they deem wise and necessary. Individuals are to be free to assume risks, incur losses, and make profits. Freedom of choice is to be accorded consumers so that they may purchase whatever they want wherever they wish, provided they have the necessary purchasing power. In short, in a regime of democratic liberalism the individual is supposed to be politically and economically free. This naturally implies the absence of unreasonable interference and control and precludes domination and dictatorship. The implications of democracy have been expanded politically to include the principles of universal suffrage, majority rule, rotation in office, popular election of officials, the initiative, referendum, and recall, and direct primaries.

THE CHALLENGE TO POLITICAL DEMOCRACY. "A free regime is not necessarily a democratic regime," states Gaetano Salvemini.⁴ It cannot be so long as rights, privileges, and power are restricted to the upper classes and special groups. Unfortunately, this has been too true of many so-called free regimes. Equally true is the observation made so frequently these days that democratic regimes are not always wise and competent. Perhaps this is why democratic liberalism, which has been used in capitalistic foundation, is so widely and so seriously challenged in these times. It is often pointed out that our democratic institutions are not nearly so sacrosanct as they may appear, and that even in the United States profane hands may have been laid upon them. The electorate does not always choose the ablest representatives, nor do those representatives always legislate wisely and in the best interests of the people. Indeed,

3. Gaetano Salvemini, "Socialism, Fascism, and Democracy," *The Annals of the American Academy of Political and Social Science*, vol. 180, July, 1935, p. 1.

4. *Ibid.*, p. 2.

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it is common knowledge that frequently these representatives have been the tools of special vested interests whose objectives are in conflict with the general social interests. Mediocrity too often characterizes law-making bodies in democratically governed communities. Changed social and economic conditions have created an extremely difficult task for those who make the laws of modern nations. Comparatively few present-day legislators have sufficient technical knowledge to evaluate properly and act intelligently on the vast volume of bills that are presented for consideration. It is generally admitted that even technical experts cannot do so. Freedom of the press, it has been observed, has lost much of its meaning and significance in a civilization in which the press, radio, and other means of communication are owned and controlled by financial interests which conceivably might not harmonize with the public interest.⁵

The challenge to democracy on the political side is not more serious than the discrediting of democracy on its economic side. Democratic government has undergone considerable modification in an effort to cope with the problems produced by an increasingly complex economic organization. Even more drastic changes may be necessary to deal with the intricate problems of the future. The rapid extension of social control of industry and business in the United States indicates that even our people have abandoned their traditional faith in the efficacy of a supposedly divinely established system of economic laws to guarantee economic security and assure social justice for the masses. There is a growing conviction that economic freedom has not functioned automatically to achieve the greatest possible measure of individual and social well-being. Cognizant of these deficiencies, some insist that we must surrender our sublime confidence in the supreme merit of democratic government, and that the lights of democracy already have dimmed to the point of disappearance in Europe.⁶

Democracy, like any other form of government, is both a system of ideas and a system of institutions designed to achieve certain ends. Because as an ideology democracy rests upon the principle of popular sovereignty, those ends are integrated into what is commonly known as the

5. *Ibid.*, pp. 2-3.

6. Shephard, *op. cit.*, p. 95.

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general social welfare. The doctrine of economic liberalism, which has been the prevailing philosophy of all modern democracies, has from its inception been constructed upon the complacent premise that individual and social well-being are identical ends and that individual and social interests are naturally harmonious. Consequently, the utmost freedom of individual action in economic affairs has been strongly urged as the only valid and effective passport to the general welfare and progress. How inadequate this theory of individualism has proved is evidenced by the existence of the problems of labor relations analyzed in this study and the rapid extension of social control to protect the economically weak against the economically strong.

Theoretically, democracy has rested upon the principle of government by consent of the governed, which implies that the real government of the nation is in the hands of the people. Practically, popular sovereignty in this complete sense has never prevailed in the United States. It is not strange that wage earners have lost some of the traditional confidence in representative government under capitalism. Their economic interests are the ones that most vitally concern them; any system of government that does not protect such interests is unlikely to command the confidence of the laboring classes. It has been observed that "from the beginning, control has been in the hands of powerful special economic and social groups."⁷ In the earlier periods of American history, these groups included those who had money to loan to the states, held claims upon the public domain, possessed slaves, or fought our wars. In more recent decades, the "invisible government" is alleged to be in the hands of bankers, industrialists, and businessmen who have dominated the course of our national life, subject only to spasmodic attacks by agrarian and labor parties.⁸ It should be added that in the past few years pressure groups have included World War veterans, organized labor, and the nation's aged. It has been appropriately stated that "the multiplication of lobbies in Washington evidences the fact that special interests and pressure groups, rather than the general welfare, largely determined the course of national policy" and continues to do so.⁹ These pressure groups are not often concerned with the general social interests, but are frankly

7. *Ibid.*, p. 97.

8. *Ibid.*

9. *Ibid.*, p. 98.

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the advocates of particular interests and classes. State and local governmental policies have been even more consistently under the domination of powerful special interests than has the national government.

Obviously universal suffrage and other practices designed to protect the general interest have not ushered in the reign of genuinely democratic government. As technological and industrial changes have accumulated and the industrial revolution has progressed to its maturity, the complexity and heterogeneity of our social order have increased. The chasm between the theory and the facts of government and economic life has widened. The old theories that we cherish do not fit the facts we face. Many there are who share the opinion that "neither as a system of ideas nor [as a system] of institutions is democracy veritably present in the America of today."¹⁰ If this is a fact, no class needs to be more deeply concerned about it than the wage earners.

SOME UNSOLVED ECONOMIC PROBLEMS OF DEMOCRACY. Among the workers there is probably less dissatisfaction with the political institutions of contemporary democracy than with its economic institutions. If democracy is to collapse altogether in the Western World it will be due principally to the inadequacy of its economic organization in achieving the ends desired by the masses. These ends include an equitable distribution of wealth and income, economic security, and democratization of industrial relations. Even the staunchest friends of democracy will admit that these objectives have not been attained in the United States, where capitalism based on democratic liberalism has registered its most spectacular accomplishments.

There are innumerable deficiencies in our capitalistic economy which must be eradicated if that economy is to hold the allegiance of our people. Millions of our citizens not only are without the comforts, conveniences, and luxuries that our advanced technology makes possible, but actually are deprived of the essentials for normal subsistence. We have not yet co-ordinated our extraordinary technical skill and organizing ability with the laudable objectives of economic abundance and general well-being that have always been an integral part of our democratic program. Our capital and natural resources are sufficient to assure

10. *Ibid.*

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the attainment of these objectives, and few will doubt that this country has adequate natural genius to organize and direct its economic institutions equitably and efficiently. But extremes of riches and poverty are still too prevalent, industrial autocracy has not yet yielded to democratic control, and there appears to be no promising plan for the equitable division of wealth and income.

The persistence of economic injustice necessarily results in the multiplication of inequalities of opportunity. Economic distress issuing from unreasonable disparity in the distribution of wealth and income inevitably produces widespread unrest, distrust, and despair. No one familiar with the last decade of American history can deny this. Large numbers of our citizens have wondered repeatedly why it is that the nation has failed to fulfill the dreams and guarantee the blessings conceived in the spirit of democracy that gave us the Declaration of Independence and the Constitution. The working class is not the only group of citizens which finds the current economic dilemma disturbing and confusing.

From the contemplation of our existing maladjustments have come important and perplexing questions which are difficult to answer. Why do poverty and scarcity coexist with riches and abundance? If modern technology is capable of producing more than is adequate for the good life, why are science and technology frustrated in their attempts to provide abundance? In an economic organization that is so boastfully efficient, why does economic insecurity continue not only for the workers but also for the owners of capital? Why in the midst of so much industrial and business intelligence are all classes forced to face periodical collapse of the economic structure through economic crises? Must business expansion always bring contraction and prosperity always breed depression in a free economy? Why is it that, despite the advance of general knowledge concerning causes and effects in the economic sphere, these crises seem to become increasingly severe and of longer duration? Why is it that the owners of industry and business, who give such generous lip service to democratic principles and institutions, yield so grudgingly to the wage-earning class the right of organization and collective bargaining? Why are the freedom and right of the workers

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hedged about with so many legal restrictions when capital has enjoyed such liberty? Failure to answer these perplexing questions for themselves and to obtain satisfactory answers from alleged authoritative sources drives large numbers of our citizens toward a search for panaceas and makes many recruits for fanatical economic schemes that have no logical or practical validity.

In the midst of confusing economic dilemmas social tension inevitably increases and the impact of revolutionary ideologies is noticeably greater. Resistance to change, even to revolutionary change, weakens under the pressure of economic insecurity and distress. Under such circumstances multiple currents of discontent make their appearance in the social order, and disruptive, subversive forces become articulate. Active minds begin to speculate concerning the merits of alternative economic and social systems, messiahs of new millenniums appear on the national scene, and the pastures of other systems seem much greener than our own.

FASCISM AND NATIONAL SOCIALISM AS ALTERNATIVES. The essence of democracy is found not merely in the right of the majority to rule but also in the right of opposition minorities to challenge the wisdom and competence of that rule. Fascism, which came to power in Italy under Benito Mussolini, in 1922, and in Germany under Adolf Hitler and national socialism, in 1933, is the antithesis of the essence of democratic rule. Fascists have no confidence in the capacity of the majority to exercise political rights or to assume political power intelligently and efficiently.

The democratic concept projects society as an association of relatively free individuals, the welfare and happiness of individuals as the goal of social organization, and the state as an instrument for the attainment of individual ends. Consequently, interference with the free development of individual activities must be kept at the minimum required for the protection of general well-being. The emphasis of the democratic community is thus upon the dignity and freedom of human personality. Fascism is a complete contradiction of this democratic concept. Individual liberty, equality of opportunity, popular sovereignty, and other elements of democratic ideology have no place in the philosophy of fascism. Not the individual but the social entity is the important factor

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in any civilization, say the fascists. Individual ends must be completely subordinated to social ends. Sacrifice of the individual is demanded without question whenever the aims of the state are to be served. Thus the relations between individuals and the state are completely reversed. Democratic liberalism insists that society, including the state, exists for individuals; fascism insists that individuals exist for society, that is, the state.

Always the state is supreme under fascism, and the state is what the militant fascist minority determines it shall be. The complete subjection of the individual to social ends rests upon a basic belief in the transitoriness of individual existence and the eternal continuity of the state. A former Minister of Justice in fascist Italy states: "Individuals come into being, grow, and die, followed by others, unceasingly; social unity remains always identical to itself. . . . For fascism, society is the end, individuals the means, and its whole life consists in using individuals as instruments for its social ends."¹¹ Democracy is built around the rights and privileges of the individual; fascism conceives only the rights and privileges of the state and the duty of individuals. "Individual rights are only recognized in so far as they are implied in the rights of the state. In this pre-eminence of duty we find the highest ethical value of fascism."¹²

The political, economic, and social implication of this fundamental theory of human relations to the state under fascism are extremely significant. Fascism insists that in every country the government be given to men capable of rising above their own private interests and willing to serve only the purposes of the state. Rejecting the democratic doctrine of popular sovereignty, fascists substitute absolute state sovereignty under a single party which is subservient to the dictator. The essence of fascism is political dictatorship by a militant minority supposedly possessed of a peculiar genius for governing wisely and competently. The great mass of citizens are excluded from the councils of the nation on

11. Alfredo Rocco, "The Political Doctrine of Fascism," an address delivered at Perugia, August 30, 1925. Translation by Dino Bigongiari in pamphlet no. 223 of the Carnegie Endowment for International Peace.

12. *Ibid.*

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the ground that they are incapable of ignoring selfish interests and making intelligent decisions. The ability to govern is regarded as "a very rare gift and the privilege of the chosen few."¹³

Fascism, moreover, denies the utility of peace and glorifies war. The love of peace is condemned because right is supposed to be implemented through force which, manifested in war, energizes the nation. In the totalitarian state, which under fascism is all-powerful, the principle of leadership is recognized in the *Duce* or the *Fuehrer*. Nationalism is given the stamp of nobility and imperialism is recognized as an imperative condition of national greatness.

In the corporative state which fascism builds, the private ownership of property is encouraged; private enterprise and initiative continue to receive recognition. But both private enterprise and private property of all kinds are subordinated to the needs of the state, and the state intervenes in economic production whenever necessary to promote national interests. This intervention may take the form of assistance and regulation, or it may involve direct control and management. Capital and labor are regarded as instruments of social advance. Work, whether intellectual, technical, or manual, is a social duty. Class conflict is not tolerated; capital and labor are required to adjust their differences in an amicable manner or submit to a peace dictated by the state. War between nations is sanctified; war between classes within the same nation is ignoble.

The fundamental document of the corporate state in Italy is the Labor Charter of 1926, which is constructed on the premises that the nation is an organism with transcendental power and that work in all its forms is a social duty. Because national interests always take precedence over individual or group interests, capital and labor cannot be free to engage in work or direct production according to their own whims and fancies. The purpose of work and production is to develop a powerful state, hence all economic interests must be regimented to this end. Private enterprise is accepted as the most effective form of economic action, but it is always responsible to the state. The workers are active collaborators in economic enterprise, but direction of economic activities always must

13. *Ibid.*

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rest with the employer, except when the state assumes direction for national ends.

Strikes and lockouts are forbidden, and fines are imposed upon both employers and employees for any violations of the law. Controversies between employers and workers are settled by the labor courts especially provided for this purpose. Professional associations of employers and employees are set up to insure legal equality for both and to improve conditions of work and production. Corporations are viewed as organs of the state for the purpose of integrating the various economic interests in production. Always the threat of state expropriation and management hangs over the heads of employers, and state coercion, over the heads of workers. In the framework of fascism there is no place for freedom of association and action on the part of labor and capital.

The same basic principles as are in force in Italy govern labor relations in Germany under national socialism. The methods of implementing these principles are not precisely the same, but the general organization and direction are similar. In Germany the Labor Front (*Arbeitsfront*) is the all-inclusive organization that has been substituted for independent labor unions, while the Estate of Industry and Trade (*Organisation der gewerblichen Wirtschaft*) takes the place of independent employers' associations. Although membership in the Labor Front theoretically is not compulsory, it is so in practice. One of the fundamental purposes of this organization is to cultivate mutual understanding between employers and employees with regard to their respective problems and demands. Solidarity of interests and peaceful relations are sought as a means of improving the quality and quantity of output.

Labor trustees, who are representatives of the government in their respective districts throughout the country, are the official authority over questions and problems of labor relations in Germany. In each establishment having twenty or more workers there is a confidential council which is expected to protect employees from abuses of power on the part of managers and leaders. The duties of the labor trustees are to supervise the confidential councils, issue general rules governing employment relations and conditions, set up wage scales, review dismissals in excess of 10 per cent of the working force in any establishment, and

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make reports to the Ministry of Labor. A permanent council of sixteen members assists the trustee in each district. Employers are required to accept the minimum provisions governing employment conditions and also the wage schedules that are promulgated by the trustee. Although a committee of experts must be consulted by the trustee before wage schedules are issued, he is entirely responsible for its contents and application.

Under national socialism there have been established courts of social honor the function of which is to adjust differences between employers and employees. Each individual, whether employer or worker, is required as a matter of social honor to discharge faithfully his duties toward the enterprise. In each industrial district there is a court consisting of a president and two assistants, one of the latter being an employer and the other a member of a confidential council. Offenses against the social honor include abuse of power by employers or other persons of authority, which covers exploitation of workers and insults to their honor; malicious incitement to discontent, which threatens industrial peace; registration of unfounded complaints, or violation of trustees' orders; and the imparting of confidential information by members of a confidential council. Violations of these rules are punishable by warning, reprimand, fines up to a maximum of 10,000 Reichmarks, loss of position as leader or as a member of a confidential council, and dismissal from employment. Thus in Germany, as in Italy, workers and employers are regimented and disciplined in accordance with the requirements of the state as conceived by the Fuehrer.

SOCIALISM AND COMMUNISM AS ALTERNATIVES. As we have seen in an earlier chapter, capitalism and the theory of democratic liberalism, upon which it is based are the objects of severe indictment by Marxists. A system of free endeavor such as the theory of modern capitalism defends is opposed by all exponents of social systems in which the survival of the individual is guaranteed by the state or totalitarian action. Marxists have no confidence in a system of private property, private enterprise, and competition to safeguard the masses from exploitation. Such a system, they believe, continues and even accentuates economic, political, and social inequality.

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Socialism is based on the principle of the natural equality of human beings. Even those socialists who recognize the existence of natural inequalities insist that the possession of superior natural abilities is not a legitimate reason for differential treatment in distribution of riches and power. Social ownership of the factors of production, distribution, and exchange is expected to assure economic equality, security, and justice for all. Capitalism, the Marxists say, is in its final stages of development; it has already commenced to decay. Indeed they believe that fascism represents the final stage of capitalism.

The present is viewed as the closing period of a significant epoch in the world's history. We are supposed to be very near the end of that epoch because capitalism is believed to be nearing the fulfillment of its historic mission, which is to prepare the way for socialism. The Marxists point out that the capitalism of free competition and automatic markets has already yielded to collective capitalism in which giant combines control the organization, direction, and results of all major industrial, commercial, and financial enterprises. Acquisitiveness is said to have run its final course through racketeering, which has resulted in predatory economic activity and political corruption. Concentration of wealth and the growth of poverty are antithetical conditions which eventually must spell the doom of capitalism and democratic liberalism. Capitalism continues to survive largely because it has generated a powerful nationalism that manifests itself through an exploitative imperialism. These and numerous other developments, say the Marxists, indicate that capitalism will soon disappear and a new social system which is collective rather than individualistic in nature will be born.

One must not conclude that all Marxists believe in the inevitability of socialism. The doctrine of inevitability is an essential part of the orthodox doctrinal system which was conceived and expounded by Karl Marx, the founder of modern "scientific socialism." But Marx was no visionary fatalist and he did not always adhere consistently to his own tenets. Impatient with the slow pace of social change, he called on the workers of the world to unite for their own emancipation. Socialists and communists, as we have already seen, do not agree on the ways and means of attaining this objective, nor are they in accord with regard to

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the blueprint of the ideal commonwealth. The socialists continue to believe that in a country like the United States it is possible to make effective use of democratic machinery and legal, peaceful methods to advance the cause of collectivism. Direct action, which often involves violence, is viewed as dangerous in nature and uncertain in results. "Revolution by consent," is the program of parliamentary socialism. Violence, they believe, may not only issue in unforeseeable social changes that would be antithetical to socialism but may mean the collective suicide of the race. Although socialists are not convinced of the inevitability of revolution and social reconstruction, they do believe that "the drift in our world is a drift toward disaster," which can be avoided only by substituting the principle of co-operation for the principle of competition in economic life.¹⁴ Intelligent planning for social, economic, and political reconstruction is offered as a desirable substitute for cataclysmic change through violent revolution.

The socialists frequently are much less definite than the communists as to the form of the new social order that is to be established under Marxian ideology. Says Norman Thomas, principal leader of the socialist movement in the United States: "We are certainly not setting out a definite and final form of society; we are not even naming a particular all-inclusive type of transitional change which every people must go through. Much will depend upon the traditions of the people—upon their political institutions and upon their relative social advance."¹⁵

Socialists are agreed, however, upon certain general characteristics of the new social order. It will be free from nationalism and imperialism. Industrial, commercial, and financial institutions are to be socially owned and democratically managed for use rather than for profit. These enterprises are to be operated according to a definite plan, which in time is expected to establish an economy of abundance and eliminate poverty. Hand and brain workers will collectively own and control whatever is necessary for the common life and will prevent the rise of economic and social injustice. Socialists reject party dictatorship not only because

14. Norman Thomas, "Socialism," in *Which Offers More for the Future?* (Chicago, Popular Interest Series Publishing Company, 1932), pp. 36-37.

15. *Ibid.*, p. 37.

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they believe it is unnecessary but because they do not share the communists' optimism that it will eventually "wither away." Dictators, say the socialists, like too well to keep on dictating. Socialists seek a workers' co-operative commonwealth free from exploitation and injustice, in which all the agencies of production, distribution, and exchange will be socially owned and managed, wealth and income will be distributed equally, and there will be freedom from dictatorship. Mr. Thomas states further: "... if by *direct action* is meant violence and more violence, men will fly to *reaction*."¹⁶ He is certain that capitalism is not immortal, but he is not convinced that out of the death of capitalism will be born a communistic society or that that form of society is desirable.¹⁷

The communists also claim that they want a workers' commonwealth, but they accept no compromise in the methods of achieving their plan of social reconstruction. In every country these more militant disciples of Marx have set for themselves a fourfold task: namely, (1) the revolutionary demolition of capitalism, by force if necessary; (2) the establishment of a dictatorship of the proletariat, or, if Russian experience is a reliable guide, a dictatorship by the communist party, the chief purpose of which is to preclude counter-revolution and completely liquidate the last vestiges of capitalism; (3) the development of socialization in the agencies of production, distribution, and exchange in the transitional first stage of socialism, in which individuals will be expected to produce efficiently but will receive wages varying according to skill and output; and (4) the construction of communal life in the second stage of socialism, which will result in pure communism with production according to one's ability and distribution according to one's needs.

The communists are convinced that historically there has been no change in fundamental property relations by *legal action*, but that all major social transitions have been achieved through *direct action*. This they explain by the fact that the owning class is always the ruling class; consequently, it controls all economic, political, and military power. Because revolution involves a shift of power from one class to another, the ruling class will resist major social changes and especially social revo-

16. *Ibid.*, pp. 41-42.

17. *Ibid.*, p. 28.

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lution.¹⁸ Direct action is seen as inevitable in transferring economic and political power. Once the transfer is effected, say the communists, a dictatorship of the proletariat must be set up to preclude counter-revolution and begin the task of social reorganization.

The new social order ultimately will be a world order. Nations are expected to disappear when a functional society is established in every country. The state, which continues temporarily in the form of a working-class dictatorship, will gradually wither away. When men and women govern themselves in a functional society according to the requirements of their economic units rather than according to the accident of geographical areas, a new and just social order will emerge. This new social order will be intelligently planned, efficiently operated, and justly and democratically managed, say the communists, in accordance with the fundamental economic and social principle of "from each according to his ability, to each according to his needs." Citizenship will be based on productive or useful service, and each will share in the administration of the enterprise of which he is a part.¹⁹

THE POSSIBLE IMPROVEMENT OF CAPITALISM ON THE BASIS OF A NEW DEMOCRATIC LIBERALISM. There are volubly articulate minorities in the United States who urge the choice of fascism or some form of Marxian collectivism as a way out of the nation's economic dilemmas. These people believe that the American economy has reached an impasse through which there is no escape except by social revolution and reorganization.

It would be the utmost folly to insist that what has happened elsewhere cannot happen here, but one may with a measure of objectivity contend that what has happened elsewhere is unlikely to happen here in the immediate future. One might go further and say that it need not ever happen here. The reasons for this seeming optimism must be sought in a review of the progress of the working class under capitalism, a consideration of the possibility of reinterpreting the theory of democratic liberalism in order to bring it more realistically into harmony

18. Scott Nearing, "Communism," in *Which Offers More for the Future?* *op. cit.*, p. 12.

19. *Ibid.*, p. 18.

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with the facts and problems of economic life, and a revaluation of the democratic way of life.

PROGRESS OF THE WORKING CLASS UNDER CAPITALISM. Change is inevitable in any social system. The absence of change would mean stagnation, and stagnation results in retrogression. It is important to remember that change does not necessarily result in progress either for a particular class or for society in general. Change may as easily issue in retrogression as in progress. That is why the citizens of any social order for which a substitute is proposed must, before abandoning that order, decide for themselves what any form of social reorganization may have in store for them. No other class has greater need for careful scrutiny of the comparative merits of economic systems than have the workers. Capitalism has its very obvious and serious faults; these may be greater or less than those which would inevitably appear under fascism, national socialism, or socialism and communism.

Modern capitalism, which, as we have seen, emerged in the early eighteenth century as a result of the Industrial Revolution in England, was the successor to mercantilism, which dominated the economic life of Europe during the sixteenth and seventeenth centuries. Mercantilism was a system of regimentation and restraints. The interests of capital and labor were subordinated to those of the new nationalism that eventuated in imperialism. The investment of capital and the application of labor were arbitrarily directed to the principal national objective of military power founded on great economic power. That nation was conceived as most powerful which had the largest stock of precious metals. Consequently, exports were encouraged and imports discouraged, since a favorable balance of trade would result in the inflow of gold and silver. To this end the national government strictly regulated industry, commerce, finance, and labor. The workers were not free to choose their occupations or go where better employment opportunities prevailed. The hours of labor were excessive and purposely kept so in the interest of low-cost production. Any attempts on the part of workers to protest against these arbitrary regulations and restrictions were viewed as conspiracies against the national safety and welfare and were severely punished. A reign of statism prevailed in which the individual was

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regimented for national ends. In many aspects fascism is a revival of mercantilism.

Many of the restrictions imposed under mercantilism, especially restrictions on the freedom of the wage-earning class, continued long after capitalism had succeeded it. Not until 1824-1825, for example, did the workers of England obtain relief from the Combination Acts, which forbade the formation of workers' associations or trade unions. Such associations were looked upon as conspiracies against the public weal, and this doctrine continued to hamper the workers in their struggle for economic justice. Indeed, significant remnants of the doctrine still exist, both in Great Britain and the United States. But the philosophy of individualism, which became the basic theory of capitalism throughout the world, could not logically be applied to capital and not to labor. The essential idea of the new philosophy was the worth and dignity of human personality, of the individual. Transferred to the realm of everyday affairs this meant freedom from the restraints which governments, caste, and custom had imposed upon self-expression in industry, politics, religion, domestic life, and social habits.²⁰ The end of economic, political, and social organization was to be the development of individual well-being. Modern democratic civilization in Europe and America has been built upon this philosophical liberalism. What this has meant in the history of the Western World we have already seen.

Few, if any, students of economic history will deny that, under capitalism based upon democratic liberalism, the wage-earning class has made remarkable progress, and that in the United States at least that class is much better off materially today than it was in the early stages of capitalist development. The creative power of capitalism is an historically established fact. No one can review the history of modern Britain and the United States without recognizing the dynamic power of capitalism to produce. In that production and its results the workers have shared increasingly. It may be true, and with this we agree, that the wage earners have not shared so largely in the material results of technological improvements as they should have and that the owners and

20. Don D. Lescohier, "Capitalism," in *Which Offers More for the Future?* *op. cit.*, p. 46.

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managers of industry and business often have shared disproportionately. Nevertheless, the economic, political, and social position of the contemporary laboring class in this country is relatively much stronger than it has been in any other period of our national history, despite the recent extended depression with its unprecedented unemployment. Both the skilled and the unskilled in practically every gainful occupation have higher real incomes than they have received hitherto.

Never was the right of organization and collective bargaining so thoroughly established as it is at the present time, nor did it ever receive such generous patronage from the government. The labor movement was never so powerful numerically as it is today, and it is difficult to exaggerate its potential strength and growth once peace returns to the ranks of labor under a united leadership. Protective labor legislation never made such advances as it has within the last decade nor attained such a high level of protectiveness. Convincing evidence of this is found in our previous discussion of the social security program, minimum wage legislation, legal regulation of employment for women, the legal restrictions upon the employment of children, hours and wages legislation, and numerous other forms of social control that have been expanded in recent years. More and more the taxing power of local, state, and national governments is being used to provide public services and assure a more equitable distribution of wealth.

Politically, the workers were never so articulate or their organizations so effective as today. Socially, the working class has never enjoyed higher public esteem. Unprecedented educational opportunities at public expense are available for any of the children of the laboring class who have the desire and the ability to make the best of them.

While recognizing the indisputable progress of the workers under capitalism in the United States, we must not gather the impression that our capitalistic democracy has no unsolved problems. As yet there has been only imperfect realization of the objectives of genuine democracy. Economic insecurity continues to preclude the maximum happiness for our people. Stabilization of production and employment, an equitable distribution of wealth and income, democratization of industrial control, intelligent and effective collective bargaining, and

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complete protection of civil liberties are among the many unsolved problems of American democracy. But we believe that these problems are not unsolvable within the framework of the existing American system, despite the judgment of the fascists, socialists, and communists that this cannot be done. If the history of western democracies proves anything, it is that their institutional structure is sufficiently plastic to make possible changes dictated by social expediency. This plasticity has made possible the progressive protection of the wage-earners' interests and the continued elevation of their standard of living.

THE REINTERPRETATION OF DEMOCRATIC LIBERALISM. Many of the unsolved problems of democracy are the result of adherence to rigid interpretation of fundamental principles of human relations. There has been an unwillingness to reconcile traditional theories with current actualities, to square the theory of democratic liberalism with the facts of experience. The philosophy of individualism, which was adequate enough for the comparatively simple economic order of the eighteenth century, cannot, without modification, be adequate for the extremely complex economy of the twentieth century. The principle of noninterference provided a dynamic force of unprecedented power in the nascent period of an emerging capitalism that faced a world of untapped natural resources, undeveloped markets, and inefficient organization of production. The doctrines of sanctity of private property and of contract, economic liberty, equality of opportunity, natural law, and nonintervention almost magically created a new social order that soon yielded unparalleled material advance. That was a social order in which the individual entrepreneur dominated the field of industrial, commercial, and financial enterprise, and in which the instruments of production were not so costly as to prevent the enterprising wage earner from casting a covetous glance at the realm of ownership and management. We live in a world that is quite different in many of these particulars.

Because we live in a world that is quite different, we must endeavor to reinterpret the basic principles of democratic liberalism to fit new facts and new situations. In so far as the policy of noninter-

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vention in economic life rests upon the assumption of equality of opportunity and absolute freedom of the individual, it is inapplicable to our present order. Equality of opportunity cannot exist in a social system in which economic disparity is so prevalent. Individuals cannot be absolutely free in a complex social order like ours. The history of modern capitalism has demonstrated convincingly that there is no benign natural law that automatically protects the economically weak against the economically strong; that drives men spontaneously through self-interest to behave with a benevolence resulting in economic justice for all. Social control is imperative so long as human nature is not only self-interested but selfish. The only tenable conception of freedom is that it can never be absolute but always relative. Governmental interference in economic life is necessary to safeguard the rules of the game and convert the fiction of equality of opportunity into a reality.

The necessity of social control has resulted in a general tendency toward centralization of political power and expansion of the authority and functions of the executive branch of government. Not only are industries which are traditionally conceived as "affected with the public interest" brought within the orbit of social regulation, but almost all industries of major importance are now subjected to strict regulation under the expanding interpretation of the "police powers" of the state, which justify interference on the grounds of public health, safety, and welfare.

Under capitalism, the individual enterprise and the partnership have yielded their pre-eminence to the corporation as the form of business organization in many of the most important fields of production and distribution. The integration of control through the holding company has resulted in an extraordinary concentration of economic power. With that power the individual laborer is incapable of dealing effectively. Collective action by the workers through labor organizations and intervention by the government are necessary to prevent abuses of such concentrated power.

The persistence of economic insecurity and industrial instability indicates that a principle of absolute economic liberty and a policy of nonintervention may not be capable of providing an escape from

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some of the most perplexing economic dilemmas that confound us. It is not inconceivable that within the framework of the present democracy there may be an extension of social action to assist the leaders of industry, commerce, finance, and labor in an orderly planning of American life with a view to increasing stabilization and security.

A reinterpretation of our basic economic philosophy may have to be accompanied by a reinterpretation of our traditional political theory. An empirical approach to the study of the adequacy of our political institutions is a prerequisite to any valid evaluation of the ability of those institutions to serve the ends of the democratic way of life. There is nothing sacrosanct about political, economic, and social institutions; the test of their adequacy must be sought in their capacity to assure the maximum well-being for our people. Of that challenge genuine democracy need have no fear; its fundamental philosophy and objectives are sound. The serious problem that confronts democracy everywhere is the implementation of its basic philosophy through institutional forms that will function to guarantee democratic ends. As we have already suggested, the present forms are viewed critically by many.

Centralization of executive power would seem to be imperative in order to deal with the economic problems and changes produced by technological advance. This does not mean the surrender of responsibility in the executive branch of the government; indeed that responsibility must be enhanced rather than diminished. Centralization of power in the hands of the executive must not be allowed to degenerate into dictatorship. A skilled, intelligent, and efficient administrative organization, built up by civil service, must be encouraged to deal with the intricate economic, political, and social problems that perplex the nation. But this administrative organization must not be permitted to become an insolent bureaucracy functioning as a powerful political faction to advance its own interests. Some test of individual capacity to exercise the rights and privileges of suffrage intelligently may have to be introduced, and the simple ballot will have to be substituted for the long ballot if that intelligence is to be reg-

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istered in a way most conducive to the public welfare. Safeguards will have to be built around the initiative, referendum, and recall if these democratic instruments are to be kept from abusive use by fanatical factions. Consideration may have to be given to the practicability of occupational representation, not as a substitute for but a supplement to the present geographical representation. The articulation of economic interests with the political interests of individuals may introduce genuine representation. In these and other ways our democratic institutions may be so readjusted as to safeguard the economic status of various groups and at the same time provide protection for the general social welfare.

THE PRESERVATION OF DEMOCRATIC VALUES. Whatever modifications may be made in the institutional structure of American democracy to meet the requirements of new situations and to solve new problems, one thing appears to be fairly clear at the moment, namely, that the overwhelming majority of our people, including the vast majority of the working class, continue to cherish the traditional principles of democratic life. Freedom of speech, press, assembly, religion, and movement, a fair and impartial trial for those accused of crime, the privilege of disagreement—these are ways of life that have been forged into the American system. These are the essentials of the good life on its politico-economic side. Democracy is, after all, more than a set of political institutions; it is a way of life, a matter of attitudes, principles, and behavior. The good life does not rest upon a material basis only; the mere satisfaction of physical wants does not elevate man above the level of the animal. Physical satisfactions alone do not bring enduring happiness. Material comforts and conveniences are essential, but they mean little to an intelligent citizenry if they are purchased at the cost of the rights and privileges which are commonly associated with democracy.

If ever there is a decisive choice of alternative social systems, the American wage-earning class is quite likely to choose that system which gives promise of safeguarding the democratic way of life. It is very unlikely that the workers will exchange the democratic way of life for a dictatorship, no matter how attractively the latter may

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be dressed for mass consumption. All this means that increasing democratization of capitalism—rather than socialism, communism, or fascism—will be sought as an escape from present economic dilemmas. The American wage earner does not regard the present economic arrangements as satisfactory, and at times he undoubtedly dreams of a new and better world. What form of society will exist in the United States in the far distant future no one can foretell, but in the immediate future the increasing democratization of capitalism is likely to be the task that will consume the energies of the workers.

To labor's new and better world, which is the shorter and the better road—evolutionary economic and political readjustment through increasing democratization of the existing social order or revolutionary social reconstruction? This is essentially a choice between peaceful penetration and war. The answer of the wage-earning class in the United States thus far has been predominantly in favor of peaceful, evolutionary social change and against militant, revolutionary revolt. Moreover, the temper of the working-class mind in this country is still quite generally conservative, retaining its traditional faith in the American system. Economic and political opportunism is rooted deep in the concept of gradual change. The American labor movement, except for insignificant segments of it, is committed to constant but gradual improvement in the economic, social, and political status of the workers. It is not an accident that trade unionism in this country is known generally as "business unionism," which is a form of unionism interested primarily in getting more here and now rather than seeking all through a social revolution. Unionism of this type is characteristically pragmatic, disposed to adopt any immediate and workable ways and means as right and desirable.

In the presence of such a practical working-class philosophy and psychology there is little room for the growth of revolutionary theories and practices. The pathetically weak position of the socialist and communist parties in the United States and the fact that the American labor movement is completely antifascist are sufficient evidence that these alternatives to capitalism and democratic liberalism have no immediate prospect of general acceptance here. Outside the ranks of labor

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also the fundamental principles and traditional values of American democracy are too warmly cherished to warrant confidence in revolutionary change and reconstruction.

If it is to be worthy of the continued confidence of those who cherish it, the American system will have to put its house in order, and the house cleaning will have to include political, economic, and social institutions. Democracy must demonstrate its right and capacity to survive. Every thoughtful leader in the nation has given expression to this conviction in recent years. Significant economic, political, and social changes will continue to occur; that is inevitable in any dynamic civilization like ours. But the method of change will be evolutionary rather than revolutionary. Socialists, communists, and fascists express the simple belief that once their respective social orders are inaugurated there will be an end to internal strife and maladjustment. A more realistic conception of human nature and human institutions visualizes a constantly changing social system, with inventive genius, intelligent leadership, and opportunistic reforms gradually finding new reaches of the human spirit and a more perfect realization of the good life for all. It is well to remember that the ideal never *is* but is always *becoming*; it comes not through social predestination, accident, or magic, but through determination and the will to progress.

Questions for Class Discussion

1. Do you think there can be an all-inclusive ultimate solution of the labor problem as defined in our discussion?
2. It is frequently observed these days that the world is at the end of an epoch and that the new epoch that is just beginning holds significant possibilities for the wage-earning class. What are these possibilities? Do you think the United States may feel the impact of these changes?
3. To what extent and in what way are the interests of the laboring class vitally involved in the present war of ideologies?
4. What do you understand is meant by democratic liberalism? To what extent has this form of social organization been associated with the rise of capitalism? Do you think it would necessarily disappear with the demise of capitalism?
5. What may be regarded as the principal deficiencies of representative democracy from the standpoint of the wage-earning class?

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6. Do you subscribe to the current idea that democracy is inherently inadequate as a mechanism of orderly, peaceful, and effective solution of economic problems, including the problems of labor relations?

7. How do the theory and techniques adopted by fascism and national socialism in the formulation of labor standards and the settlement of industrial disputes differ from those current in democratic countries?

8. Despite their espousal of the cause of democratic control of labor relations may not both socialism and communism find it impossible to make the transition to a new social order without destroying the freedom of the individual?

9. Is there incontrovertible evidence of the material progress of the working class under capitalism and democratic liberalism? What specific forms of evidence impress you as most significant?

10. If democracy is to survive and meet successfully the challenge to its basic doctrines what readjustments, if any, would appear to be necessary?

11. Do you think that the readjustments commonly proposed for democratic institutions may enhance or destroy the traditional democratic values of liberty, equality of opportunity, and pursuit of happiness?

12. Is there any valid reason for the belief that democratic tradition favors evolutionary rather than revolutionary processes of social change? Does this mean that revolution is never necessary or justifiable?

13. If you were formulating a program of reform in the field of labor relations what would you incorporate in it?

14. Viewed in retrospect, are there any problems of employment relations in the United States that are incapable of rational, peaceful solution?

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